



In small, preliminary studies, interferon seemed as effective against hepatitis B as it now seems to be against hepatitis C.



## Aoun 'Judgment' Near, President Says as Syria Puts Troops in Position

Compiled by Our Staff From Dispatches

BEIRUT—Syrian forces moved large quantities of ammunition to frontline positions facing troops of General Michel Aoun on Thursday, and Lebanon's new president said "the day of judgment" for the Christian military leader was near. Israel warned that it would intervene if Syrian efforts to remove General Aoun threatened its security.

France, Lebanon's former ruler, sent a navy ship to evacuate its citizens in case fighting broke out and again warned Syria against using force to help the new president, Elias Hrawi, remove General Aoun.

Mr. Hrawi, a Christian moderate with ties to Syria, said he wanted peace and put the blame for any fighting on General Aoun, the army commander he dismissed Tuesday. General Aoun has refused to accept an Arab League peace plan that re-established Lebanon's presidency after more than a year.

General Aoun, who became leader of a Lebanese Christian administration last year in competition with a Muslim-led government, and his 15,000 largely Christian troops control Christian East Beirut and have an enclave under the ruined presidential palace in the Beirut suburb of Baabda. The enclave is surrounded by Syrian troops and their allies.

"I don't want a single drop of blood to be shed in East Beirut and West Beirut or any other place," Mr. Hrawi said at a news conference in the Syrian-controlled Bekaa Valley.

"I confirm that we don't want to spark a war on the eastern areas, but those who are going to start this war are Aoun and the rebellious."

"We will never accept that they remain in their posts. The day of judgment is coming and it will be very soon."

Mr. Hrawi, elected last Friday after the assassination of his predecessor, René Moawad, appointed General Emile Lahoud to replace General Aoun.

Mr. Hrawi said there was no room for two presidents, cabinets and army commanders. "This is a mutiny and a violation of law," he said. "It is a state of partition which I will not accept."

Waving Lebanese flags, tens of thousands of young Christians swarmed to the palace during the third day of a general strike to protest Mr. Hrawi's threat.

General Aoun told reporters at the palace he was ready to die there if he was defeated.

In Paris, naval authorities said the Orage, a landing and transport ship carrying three Puma helicopters and a detachment of troops, set out from the Mediterranean port of Toulon early Thursday.

It was the third time that France had ordered the stationing of ships off the coast of Lebanon. The Orage, which has room for up to 350 evacuees, was sent to the east.

## The Drug Laws In Singapore Are Strengthened

SINGAPORE — Singapore stiffened its drug laws on Thursday to extend the death penalty to opium, marijuana and cocaine traffickers.

The home affairs minister, Shanmugam Jayakumar, said that "with opium likely to become a cheaper alternative for heroin addicts, the increasing abuse of cannabis as a 'gateway' drug to heroin, and the expected arrival of cocaine trafficking," Singapore had to extend the law.

Singapore law already prescribes a mandatory death sentence to those convicted of trafficking in more than 15 grams (half an ounce) of heroin and more than 30 grams of morphine.

A total of 24 people have been hanged since the law was introduced in 1975. An opposition member of parliament, Lee Siew Choh, speaking against the bill, said the death penalty had not stopped drug trafficking.

ern Mediterranean as part of a naval task force in August during intense fighting between General Aoun's troops and Syrian-backed forces.

That move, which France said was inspired by humanitarian motives, was criticized by Syria and its allies in Lebanon.

Diplomatic sources said that at least 7,000 Syrian troops, with tanks and artillery, had entered Lebanon this week to supplement the 33,000 already there.

Israel's warning against Syrian moves that undermined its security came in a statement prepared by Defense Minister Yitzhak Rabin.

"Israel is continuously keeping an eye on these developments, especially the Syrian Army maneuvers and the Syrian intention to carry out a show of force," the statement said.

Muslim security sources said the Syrians and their Lebanese allies had completed their deployment in the mountains southeast of General Aoun's enclave and were waiting orders to attack. (Reuters, AP)



A Syrian tank rolling into Beirut on Thursday to take position against General Aoun's enclave.

## Pretoria Holds Ex-Policeman in Murders

By Christopher S. Wren

JOHANNESBURG — The South African police disclosed Thursday that they were holding a former narcotics detective in connection with the assassinations earlier this year of David Webster and Anton Lubowski, two whites who were prominent in the struggle against apartheid.

The police implied in a statement that the suspect might be part of a murder conspiracy.

Mr. Webster, a lecturer at the University of the Witwatersrand, was shot on May 1 from a passing car in front of his house in the Troyville suburb of Johannesburg. He was completing a study of political killings in South Africa when he was murdered.

Mr. Lubowski, a civil rights lawyer in Nambija, was shot down in September in front of his home in Windhoek. He was the most prominent white member of the South-

West Africa People's Organization, an overwhelmingly black liberation movement that won the constituent elections in Nambija earlier this month. Mr. Lubowski also represented defendants in South Africa.

Both killings were widely seen as motivated by the political activities of the two men. An Irish national was arrested in Windhoek after Mr. Lubowski's murder, but has not been charged with the crime for lack of evidence.

In announcing that they were holding another suspect, the police said "the person has been in detention for some time." The police statement explained that "the police did not wish to announce his detention because this would have jeopardized an investigation which still had to be launched."

The wording of the announcement supported speculation in Johannesburg newspapers that the police have uncovered evidence of an organization that has plotted the murder of opponents of apartheid.

"The possibility that further arrests may still be made, despite the release of this information, is not excluded," the police statement said.

The disclosure comes at a time when the police are under renewed pressure to solve the murders as a result of allegations that police assassination squads have killed or terrorized those fighting apartheid.

A white former security police captain and two black policemen have said they served in such a squad. They are said to have fled abroad. A policeman is awaiting execution for another murder.

President Frederik W. de Klerk, who received the results of an internal investigation into the assassination charges on Wednesday, has promised to give it urgent attention. "Crime, wherever it occurs, will be stamped out and exposed," Mr. de Klerk promised in a speech Wednesday night.

The police statement on Thursday said the suspect in the deaths of

Mr. Webster and Mr. Lubowski was a 34-year-old white man who was dismissed as a police sergeant in 1984 after he was convicted on charges of murder, attempted murder and theft.

He had been assigned as a detective in the narcotics bureau in the urban area west of Johannesburg. The statement did not give further details of his conviction, but he was understood to have killed a suspect in one of his investigations.

Major General Jaap Joubert, who is deputy head of the police criminal investigation division, has asked that the former detective's identity not be released while the investigation is continuing.

According to newspaper reports, he was arrested in his Johannesburg apartment several weeks ago by the British murder and robbery squad, which handles major crimes in the Johannesburg area. It had been investigating Mr. Webster's death.

## Bonn Sees Support for Terrorists Dwindling

International Herald Tribune

FRANKFURT — The Red Army Faction, West Germany's most elusive and deadly terrorist group, is believed to be led by 15 hard-core members. Its support has been described by officials here as dwindling.

West German authorities emphasized Thursday that smaller numbers did not make the radical leftist group less effective or less determined in its struggle against its perceived enemies, the military-industrial complex and the security apparatus.

The action on Thursday against Alfred Herrhausen of Deutsche Bank proves they have up-to-date equipment and can strike when they want," said Hans-Jürgen Förster, a spokesman for the federal attorney general's office in Karlsruhe.

In its annual report on terrorism, the government estimated in July that at the end of 1988 the group had a core of 15 leaders and 250 militant followers who are believed to be able to draw logistical support from 700 to 750 sympathizers.

The estimate of the number of sympathizers was scaled back from 2,000 in 1987, and the government said the number of criminal acts by leftist groups had fallen to 955 in 1988 from 1,855 the year before.

Mr. Förster said he believed that the estimate that the Red Army Faction was dwindling was accurate. "History has shown that just a few people can commit these acts and that is still the case," he said.

The group was a spin-off from the Baader-Meinhof group, which was formed in 1968 by Andreas Baader and Ulrike Meinhof. That organization led several arson and bombing attacks in the early 1970s. Most were directed at U.S. military forces in protest of the Vietnam War.

Terrorism reached a peak in 1977 with several attacks on West German government and business leaders.

The Red Army Faction was particularly quiet in the early 1980s. In the last few years, it has resumed attacks, apparently unmoved or unweakened by the country's booming economy and general political stability.

—Richard E. Smith

## Alleged Red Army Record

The Red Army Faction's alleged record has included the following attacks, Reuters reported from Bonn: May 24, 1972 — Three U.S. servicemen are killed in a bomb attack on U.S. Army headquarters at Heidelberg.

Nov. 10, 1974 — A West Berlin judge, Günter von Drenkmann, is killed in revenge for the death on hunger strike of a jailed Baader-Meinhof member, Holger Meins.

April 22, 1975 — A group calling itself Holger Meins Commando occupies the West German Embassy in Stockholm and kills two diplomats.

April 7, 1977 — Federal Prosecutor Siegfried Buback is killed when his car is sprayed with bullets in Karlsruhe by a motorcycle hit squad calling itself the Ulrike Meinhof Commando.

July 30, 1977 — Jürgen Ponto, chief executive of Dresdner Bank, is shot and killed by three persons, one of them the daughter of a family friend, at his home near Frankfurt.

Sept. 5, 1977 — The president of the Federal Employers' Association, Hans-Martin Schleyer, is abducted and his driver and three policemen slain by ambushers who demand the release of jailed terrorists. His body is found Oct. 19 in the trunk of a car in France.

Oct. 13, 1977 — Palestinian extremists hijack a Lufthansa plane to Mogadishu, Somalia, and kill the pilot in a bid to force Bonn to yield to demands of Mr. Schleyer's kidnappers. West German commandos storm the plane, killing three hijackers.

Feb. 1, 1985 — A West German arms industry executive, Ernst Zinnermann, is shot and killed at his home near Munich in the climax to a wave of attacks to press for political-prisoner status for jailed terrorists.

Aug. 8, 1985 — A car bomb explodes at the U.S. Rhein-Main air base near Frankfurt killing 2 persons and wounding 20. The group says it murdered a U.S. serviceman for his identity card to gain entry to the base.

July 9, 1986 — A remote-controlled bomb kills a Siemens executive, Karl Heinz Beckurts, and his driver on their way to work in Munich.

Oct. 10, 1986 — A senior West German diplomat, Gerald von Braumühl, is shot and killed outside his home in Bonn by a masked attacker. A note found at the scene claims responsibility in the name of a dead Red Army Faction member.

Sept. 20, 1988 — Hans Tietmeyer, state secretary at the Finance Ministry, escapes a shotgun ambush as he is being driven to work. The group said it tried to kill him to disrupt an International Monetary Fund and World Bank meeting in West Berlin.

## Operation for Mother Teresa

CALCUTTA — Mother Teresa, who suffered a heart attack in September, will receive a permanent pacemaker in an operation on Friday, her doctor said. The 79-year-old Roman Catholic nun, who won the 1979 Nobel Peace Prize, was placed under medical care Wednesday as her heart condition worsened.

## WORLD BRIEFS

### Walesa Won't Rule Out Presidency

LONDON (AP) — Lech Walesa, the Solidarity leader, said Thursday that he would not rule out being president of Poland if there was no one else who could do the job.

"I don't like it, and I don't think I'm prepared," he said through an interpreter in an interview with Independent Television News. "But if I would have to do it, I'm not going to run away from it."

Mr. Walesa, on his first trip to Britain, is trying to encourage more investment in Poland and is calling for greater integration of Europe. The British foreign secretary, Douglas Hurd, announced Wednesday that Britain was doubling its aid package to Poland to £50 million (\$78 million) and would give a further £64 million to the International Monetary Fund to rebuild the economy of Poland.

### Israel Orders Inquiry on 4 Officers

JERUSALEM (Reuters) — Four Israeli paratrooper officers have been ordered to attend a disciplinary hearing on the killing of eight West Bank Arabs, the army said Thursday.

The army said the men were suspected of violating orders on the use of their firearms. The officers, ranking from major to second lieutenant, have been under investigation since Dec. 16, when the Palestinians died in clashes that erupted in Nablus over a previous killing, officials said.

The army action was defended at the time by Defense Minister Yitzhak Rabin, architect of Israel's policy to quash a nearly two-year-old Palestinian uprising. "The flare-ups will be kept in check with an iron fist," he said. "I accept everything that was done. It was necessary." But security sources said an investigation found reasons for doubt. The officers were suspected of firing at fleeing residents, at close range and with live ammunition rather than plastic bullets, the sources said.

### Soviets Denounce War With Finns

MOSCOW (Reuters) — The Soviet press marked the 50th anniversary of the outbreak of the Winter War with Finland on Thursday by denouncing it as unnecessary and damaging to Moscow's reputation.

"From the position of today's new thinking, it is particularly clear that the Soviet-Finnish war was neither military glory nor international authority," the army newspaper Krasnaya Zvezda said. It recalled that the action led to the Soviet Union's expulsion from the League of Nations.

A Soviet Foreign Ministry spokesman, Yuri Gromitskiy, acknowledged at a news briefing on Thursday that Moscow might have distorted the facts about the war. "For many years we put out a very simple and straightforward version of events," he said. "As to whether this coincides with the truth, only historians will be able to provide a full answer." In Finland, a memorial stone was unveiled in a Helsinki cemetery Thursday, to 300 citizens killed by bombing in the Winter War and a second Finnish-Soviet War from 1941 to 1944.

### Singapore Rules Against a Journal

SINGAPORE (APF) — The Singapore High Court on Thursday found the Far Eastern Economic Review, a weekly journal based in Hong Kong, guilty of defaming Prime Minister Lee Kuan Yew and ordered it to pay him \$20,000 Singapore dollars.

Justice Thean said he found that the co-defendants — Derek Davis, the Review's former editor, and Michael Malik, a writer — were "actuated by express malice" in publishing the article. The article dealt with the detention without trial in May and June 1987 of 22 persons, many of them lay church workers, under the Internal Security Act in connection with what Singapore says was a Marxist plot to subvert the government.

Mr. Lee based his action on the ground that the article implied that he was intolerant of the Roman Catholic Church and was out to victimize it. The Review said the facts in the article were fair and accurate and were obtained from the Reverend Edgar D'Souza, who fled Singapore to settle in Australia. The Hong Kong-based weekly is owned by Dow Jones & Co., which also is majority owner of The Asian Wall Street Journal.

### 7 States Will Deploy Rail-Based MXs

WASHINGTON (NYT) — The U.S. Air Force has announced that 50 MX nuclear missiles will be removed from silos in Wyoming and placed on trains in seven states to make them less vulnerable to a surprise enemy attack.

The air force said the missiles would be placed on 25 trains, each with two missiles aboard, and the trains would be stationed at bases in Wyoming, Texas, Louisiana, North Dakota, Washington, Arkansas and Michigan. The plan does not require congressional approval because when Congress voted money this year to place the 50 MX missiles now in Wyoming on rail cars, they left the choice of the sites up to the air force.

Officials said that once the 10-warhead missiles are deployed, the trains carrying them will remain in reinforced buildings on daily alert and would be dispersed only by the president in time of crisis. The missiles will have access to more than 120,000 miles (193,000 kilometers) of commercial track should they be put on alert. The trains are designed to resemble ordinary freight trains.

### Paris Blames Bonn for Turks' Influx

PARIS (Reuters) — France, facing a flood of Turkish guest-workers unleashed by the East German immigrant influx into West Germany, registered an official protest with Bonn on Thursday, officials said.

"Diplomatic moves are currently underway to make the German realize that encouraging certain populations to emigrate towards France is not necessarily a friendly act," an aide to Prime Minister Michel Rocard of France said.

Political sources said France says they thought some West German employers were encouraging Turkish and Sri Lankan workers to seek asylum in France to make room for East Germans starting a new life in the West. Officials in the eastern region of Alsace, which borders West Germany, said the number of Turks applying to enter France has recently soared to 60 a day from just 120 a year.

## TRAVEL UPDATE

### EC Assailed on Package Tour Rules

BRUSSELS (Reuters) — Plans of the European Community to prohibit hundreds of thousands of people who take package vacations are being sabotaged, the European Bureau of Consumer Unions said Thursday. It said consumer safeguards proposed by the EC's executive commission were being watered down in discussions between the 12 member countries. "What one witnesses there is genuine sabotage," the group said. It added that vacationers were inadequately protected against surcharges or possible bankruptcy of a package tour company. The EC proposals would also make it harder for people to get their money back when dissatisfied.

Taiwan lifted its ban on tourist travel to East Germany, Poland, Romania, Bulgaria, Hungary, Yugoslavia and Czechoslovakia on Thursday. Only the Soviet Union and Albania remain off limits in Europe. (Reuters)

## WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Amsterdam	7	4	F	Bangkok	30	26	F
Antwerp	7	4	F	Beijing	10	4	F
Berlin	10	6	F	Hong Kong	28	24	F
Birmingham	10	6	F	Kobe	21	18	F
Bombay	8	3	F	New Delhi	23	18	F
Boston	10	6	F	Seoul	22	18	F
Buenos Aires	10	6	F	Singapore	26	22	F
Cardiff	10	6	F	Tokyo	17	13	F
Copenhagen	10	6	F				
Dublin	10	6	F	AFRICA			
Edinburgh	10	6	F	Algiers	29	25	F
Geneva	10	6	F	Cairo	29	25	F
Hamburg	10	6	F	Conakry	29	25	F
Harare	10	6	F	Dakar	29	25	F
Heidelberg	10	6	F	Harare	29	25	F
London	10	6	F	Johannesburg	29	25	F
Luxembourg	10	6	F	Lima	29	25	F
Madrid	10	6	F	Managua	29	25	F
Moscow	10	6	F	Medan	29	25	F
Munich	10	6	F	Montevideo	29	25	F
Nairobi	10	6	F	Norfolk Island	29	25	F
Paris	10	6	F	LATIN AMERICA			
Prague	10	6	F	Buenos Aires	29	25	F
Reims	10	6	F	Caracas	29	25	F
Rome	10	6	F	Colon	29	25	F
Stuttgart	10	6	F	Havana	29	25	F
Vienna	10	6	F	La Paz	29	25	F
Warsaw	10	6	F	Lima	29	25	F
Zurich	10	6	F	Managua	29	25	F
MIDDLE EAST				NORTH AMERICA			
Abuja	10	6	F	Atlanta	29	25	F
Accra	10	6	F	Boston	29	25	F
Algiers	10	6	F	Chicago	29	25	F
Amman	10	6	F	Denver	29	25	F
Ankara	10	6	F	Houston	29	25	F
Antananarivo	10	6	F	Los Angeles	29	25	F
Asmara	10	6	F	Miami	29	25	F
Baghdad	10	6	F	Minneapolis	29	25	F
Bahia	10	6	F	Montreal	29	25	F
Baku	10	6	F	New York	29	25	F
Batavia	10	6	F	Phoenix	29	25	F
Bombay	10	6	F	San Francisco	29	25	F
Buenos Aires	10	6	F	Seattle	29	25	F
Calcutta	10	6	F	Tampa	29	25	F
Cardiff	10	6	F	Washington	29	25	F
Cebu	10	6	F	Yokohama	29	25	F
Dakar	10	6	F				

FRIDAY'S FORECAST — CHANNEL: Rough, Frankfurt: Foggy, Tams: 4-10. LONDON: Fog, Tams: 4-10. PARIS: Fog, Tams: 4-10. NEW YORK: Fog, Tams: 4-10. SINGAPORE: Rain, Tams: 22-27. TOKYO: Fog, Tams: 17-21.

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**Panama Ships Banned in U.S.**

United Press International  
WASHINGTON — President George Bush, moving Thursday to increase pressure on Panama's military leader, General Manuel Antonio Noriega, banned Panamanian-registered vessels from U.S. ports as of Feb. 1.

About 14 percent of the merchant ships in the world — many with ownership outside Panama — are registered in Panama, partly because of relatively low costs. The White House press secretary, Marlin Fitzwater, said that registration fees in some other nations were being lowered so that the ships could be quickly re-registered.

The Reagan administration imposed economic sanctions against Panama in 1988 in an effort to remove General Noriega, who had been charged by U.S. grand juries with drug trafficking.

**Operation for Mother Teresa**

The Associated Press  
CALCUTTA — Mother Teresa, who suffered a heart attack in September, will receive a permanent pacemaker in an operation on Friday, her doctor said. The 79-year-old Roman Catholic nun, who won the 1979 Nobel Peace Prize, was placed under medical care Wednesday as her heart condition worsened.

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## Flow of Arms Is Cut To Salvador Rebels

PARIS — Nicaraguan leaders and Cuban diplomats agreed to halt shipments of weapons to Salvadoran rebels through Nicaragua after a meeting with Soviet diplomats in Managua, Le Monde reported Wednesday, citing unidentified Sandinista officials.

After the meeting Tuesday, Nicaragua's Sandinista commanders also decided to expel leaders of the Salvadoran rebel group, the Farabundo Martí National Liberation Front, from Nicaragua, the report said.

The meeting was held, the paper said, "apparently at the request of the Soviets" to discuss the Salvadoran guerrilla offensive of Nov. 11 and the crash in El Salvador on Saturday of a twin-engine plane carrying anti-aircraft missiles. Salvadoran government officials said the missiles were bound for the rebels.

Le Monde, citing unidentified Sandinista officials, said the Nicaraguan commanders were never informed about the shipment of weapons by Cuba through Nicaragua. The sources said Nicaraguan leaders were furious at President Fidel Castro of Cuba.

On Thursday, the Salvadoran guerrillas, fighting troops in the capital, announced that they had SAM-7s and intended to use the missiles if the armed forces did not stop "indiscriminate bombings of the civilian population."

This was the first time the rebels

acknowledged having Soviet-made missiles, which the El Salvador said had been provided by Nicaragua.

Two aircraft reportedly flying from Nicaragua with weapons for the rebels, including the missiles, were discovered Sunday in eastern El Salvador. The discovery prompted President Alfredo Cristiani to break relations with Managua.

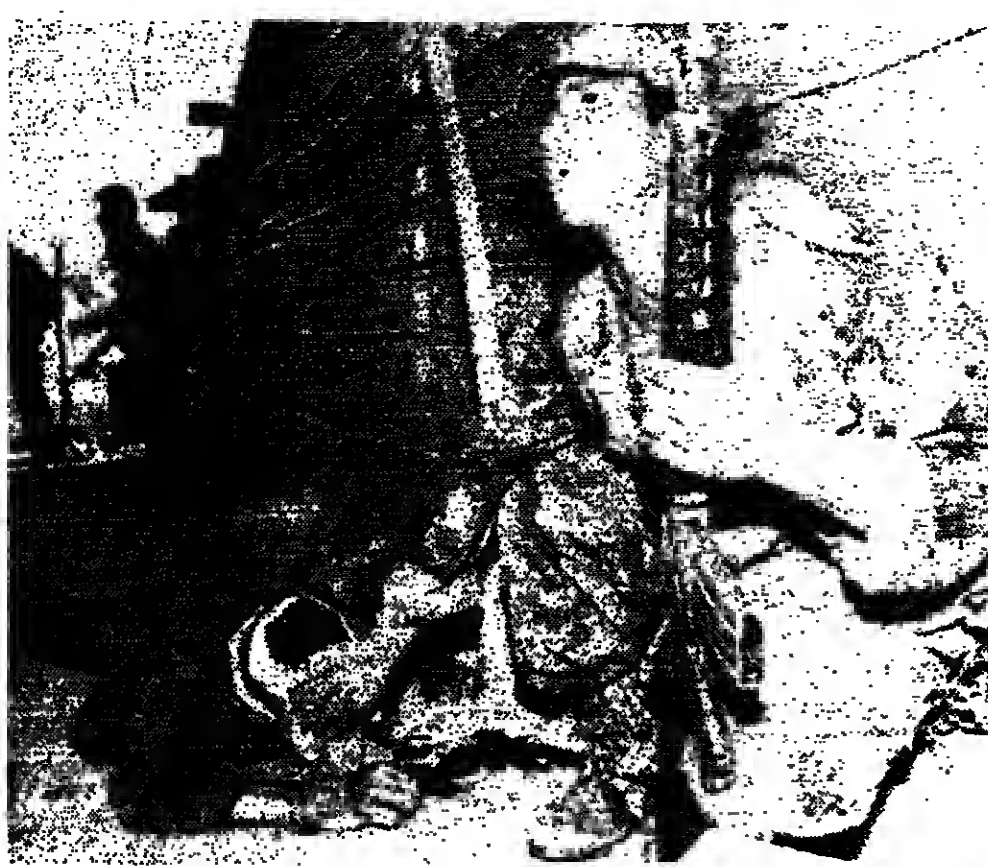
In Rome, the Soviet spokesman, Gennadi I. Gerasimov, said Thursday that Moscow believed that Cuba and Nicaragua were not supplying arms to the rebels in El Salvador.

At a briefing on the second day of President Mikhail S. Gorbachev's visit to Italy, Mr. Gerasimov said, "Neither Nicaragua nor Cuba are supplying the Salvadoran rebels as far as our information goes."

The issue "can be picked up at the Malta summit," he added.

Mr. Gorbachev and President George Bush are to meet off Malta on Saturday and Sunday.

(UPI, AFP)



A Salvadoran soldier trying to staunch the flow of blood from a fellow soldier wounded by a grenade.

## U.S. Evacuating 300 From El Salvador

United Press International

SAN SALVADOR — The United States chartered two jetliners Thursday to evacuate 300 Americans from El Salvador after an attack by leftist rebels that destroyed

a U.S. official's home and sent scores of Americans into emergency shelters.

The Farabundo Martí National Liberation Front called a six-hour cease-fire to allow the evacuation from the wealthy neighborhoods of Escalón and San Benito, where many Americans live while working in San Salvador.

A U.S. Embassy spokesman, Barry Jacobs, said about 300 Americans were expected to leave the capital on two commercial airlines chartered by the government. One aircraft was to fly to Washington, the other to Miami.

Some workers in San Salvador under contract to the U.S. government said that their departure was not voluntary and that they had been ordered to leave.

The evacuation order was issued a day after leftist guerrillas renewed an attack on the capital following a five-day lull in fighting. Predawn battles on Wednesday were the fiercest in San Salvador since the rebel front began its offensive on Nov. 11.

More than 2,000 people have been killed in the offensive, including at least 18 in fighting on Wednesday. The rebels had been trying to negotiate an end to the 10-year civil war in El Salvador but broke off talks with the government shortly before beginning the offensive.

The United Nations Security

Council scheduled an emergency meeting in New York to hear El Salvador's protest about alleged gun-running to the guerrilla group by the Nicaraguan government.

In San Salvador, dozens of Americans streamed into the heavily fortified U.S. Embassy compound, carrying suitcases and baskets filled with belongings. Eight buses were lined up, apparently ready to take people to the airport.

The Americans filing into the building joined about 120 embassy workers and their families who had spent the night there. Some Americans also stayed at the fortified Agency for International Development.

"Anyone who felt it might not be safe to stay in their house, other options have been made available to them," said Jefferson Brown, an embassy spokesman. "The ambassador has now authorized a voluntary departure for any dependents or anyone who wants to leave."

Mr. Brown described the departure as voluntary, but some U.S. contract workers said they had been ordered to leave.

"We were mandated to leave," said a South Carolina construction worker who would identify himself only as David. "We were ordered to leave. We don't have any choice."

"Some people are angry like me because they don't want to leave," he said. "Others were relieved."

"A lot of families are going to be

separated temporarily," Mr. Brown said. "But then the people who signed on for El Salvador knew it wouldn't be like Switzerland."

The construction worker, whose home was in an area of heavy combat Wednesday, acknowledged that the fighting was "a little bit scary."

"You just try to keep low, not look out the window and don't go outside to look around," he said.

Among Americans who left the western district of Escalón after daybreak to make their way to the embassy were two couples whose houses had been taken over by rebel fighters on Wednesday.

Bill Lewis, carrying his 8-month-old daughter, Cassandra, said the guerrillas had been polite and treated them well.

"They were so nice, I couldn't believe it," he said. "They even gave us a jar of olives."

The guerrilla group ordered its fighters "to maintain their positions in the neighborhoods of San Benito and Escalón and to suspend all action from 6 in the morning until noon so that foreigners can be evacuated."

To counter the attack, Salvadoran jets fired rockets at suspected rebel positions in one neighborhood, and tanks and other armored vehicles rushed into the area. Helicopters swooped low to strafe rebel positions.

## U.S. Congress Is Told Mismanagement May Cost Over \$100 Billion

By Jeff Gerth

WASHINGTON — The comptroller general has told Congress that the federal government, riddled with serious management problems in every major agency, faces more than \$100 billion in losses.

Inadequate controls in programs that lend money or guarantee loans made by others are leading to the losses, the comptroller general, Charles A. Bowsher, told the Senate Governmental Affairs Committee on Wednesday.

He said losses in the \$5 trillion federal insurance and credit assistance area would come on top of the \$200 billion that had recently been lost there, mostly from the insolvency of the Federal Savings and Loan Insurance Corp.

Under questioning by the committee chairman, Senator John Glenn, Democrat from Ohio, Mr. Bowsher also disclosed what he said were Pentagon accounting weaknesses that illustrated the "enormous" difficulty faced by Pentagon budget cutters.

Mr. Bowsher's agency, the General Accounting Office, an arm of Congress, recently reported on the rapid expansion of the government's insurance and credit programs. But that report did not specify what the losses in those programs were likely to be.

Mr. Bowsher's testimony confirmed that recent losses in federal insurance and credit assistance programs "total in the \$200 billion range."

Mr. Bowsher added that it "was not unrealistic" to put future losses in this area in the \$100 billion to \$150 billion range.

He said these projected losses cut across the government, and he provided this breakdown: \$6 billion at the Export-Import Bank; \$12 billion at Commodity Credit Corp., and \$26 billion at the Farmers Home Administration, both units of the Department of Agriculture; \$5 billion in student loans; at least \$5 billion at the housing department.

Mines Laid Off Jutland Coast

COPENHAGEN — Troops of the North Atlantic Treaty Organization began laying mines off the eastern Jutland coast of Denmark on Wednesday night in a six-day exercise, called Black Gap 89. It involves a 1,000-strong force from Denmark, Britain, West Germany and the United States.

### HISTORY IN TIME



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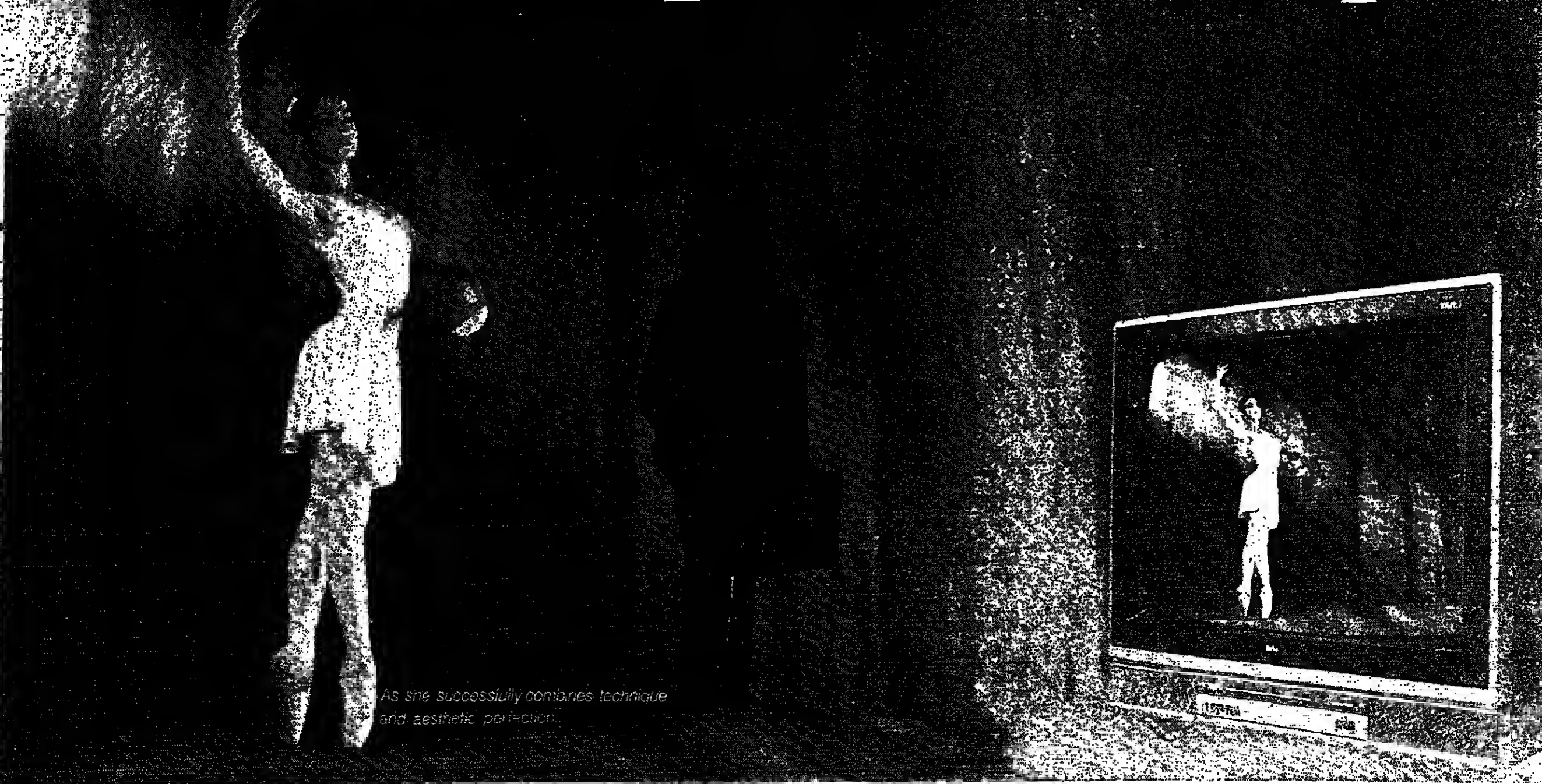
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## OPINION

## Lavoro Affair: Bank Fraud, Kickbacks and Poison Gas?

By William Safire

NEW YORK — A parade of FBI, Internal Revenue and Customs agents, accompanied by Justice Department lawyers and the Inspector General of the Department of Agriculture, have been descending on the office of the U.S. attorney in Atlanta to help with what federal lawyers say is a "long-term investigation" into what international bankers call "the Lavoro affair."

Although most of the probes do not yet understand the scope of their assignment, they may turn up the first major embarrassment of the Bush administration.

On the surface, it seems like just another big bank-fraud case. The Atlanta branch of Italy's Banca Nazionale del Lavoro apparently secretly approved some 2,500 letters of credit, totaling \$3 billion, to exporters in the United States and Europe to finance exports to Iraq.

The Iraqis have not yet paid; the bank in Italy blames its Atlanta managers for exceeding its limits; the bank is thus out on a limb, which worries only Italians.

What should worry Americans is this: A large chunk of that unpaid money is guaranteed by the U.S. Department of Agriculture's Commodity Credit Corporation. If the bank does not collect from Baghdad, it collects from the American taxpayer.

This is the sort of vulnerability to which Americans were unwittingly exposed in the savings and loan rip-offs. Nobody in authority is held responsible (it's all so complicated, the confused regulators claim), and another billion dollars goes down the drain.

Doubly damning is the lackadaisical attitude of the bureaucrats who are charged with limiting liability. Fully aware that Iraq — cash-short after its war — is up to its hips in the Lavoro scandal, and that the Department of Agriculture's Inspector General is actively cooperating with the investigatory task force, an open-handed USDA last week approved another half-billion dollars in export credit guarantees to Baghdad.

That failure to close the barn door is only the beginning. Let's presume that Iraq's dictator, Saddam Hussein, pays up, possibly by borrowing on U.S. credit elsewhere. New York's Federal Reserve regulators, as well as Georgia's state banking authorities, will say that nobody got hurt.

The next layer of the investigation should then be ripe for exposure. If the probes follow their leads: Was the U.S. government's guarantee to the exporters, supposedly to help American farmers sell their grain and American manufacturers sell their farm equipment and fertilizer, really used for that high purpose?

Or was a large part of the Lavoro \$3 billion paid to exporters of machinery and materials to help Iraq build poison gas facilities and long-range missiles?

In the financial times last week, Alan Friedman reported that Lavoro's letters of credit went to a series of companies in the United States, Britain and West Germany that produce high-technology machine tools. Curious: Iraq is working with Egypt and Argentina to produce the Condor-2, a missile knocking off the technology of America's Pershing-2.

We Americans were rightly critical of the West German government for covering up the involvement of its nationals in Iraqi poison gas production; we cannot turn a blind eye to America's own blundering guarantee of Iraq's investment in missile technology.

Money is as fungible as grain or oil. Here in Iraq, a terrorist state known to be building atomic and poison gas facilities, getting its only major Western billions in secret from an Italian bank through a branch in Atlanta, U.S.A. — which Iraq then uses to import technology that may enable it to blackmail the world.

And nobody in banking regulation or Treasury or CIA noticed the flow of the dough. (A suspicious Federal Reserve employee blew the first whistle, I hear, but the Fed was too long asleep at this switch.)

No wonder the Department of Agriculture is frozen in panic. When the tip of this iceberg emerges in Atlanta next week, its foreign operations under the Commodity Credit Corporation's Lawrence McElvain will come under belated congressional scrutiny.

Secretary of Agriculture Clayton Yeutter, who is now overseas with the rest of the Bush cabinet, will not want to be the next regulator occupying Danny Wall's hot seat.

The U.S. attorney in Atlanta, Bob Barr, will say only that "this is a multi-jurisdictional, multi-agency matter."

He is a former legislative aide at the CIA and should understand some of the international resonances of his case. The assistant in charge of the case, Gail MacKenzie, will soon become the best-known American woman in Rome.

Intrigue, corruption, inattention, malfeasance, quadruple bookkeeping, kickbacks by merchants of death — stay tuned.

*The New York Times.*

## A Summit That Didn't Happen

By Francis L. Loewenheim

HOUSTON — By now, probably most White House correspondents worth their bylines know that the first summit meeting at sea involving a U.S. president was Franklin Roosevelt's meeting with Winston Churchill at Argentia Bay, off Newfoundland, in mid-August 1941. What isn't generally known is that Mr. Roosevelt apparently got the idea for a summit at sea from Arthur Krock, the veteran chief Washington correspondent of The New York Times, who first suggested it to the president in a personal letter.

A member of Woodrow Wilson's administration who well remembered that president's ill-starred

experience at the Paris peace conference of 1919, Mr. Roosevelt remained fascinated by the idea of summit diplomacy, and discussed the subject with friends and associates on a number of occasions. One of these occasions came in August 1936, when Mr. Krock was an overnight guest at Hyde Park. With war clouds rapidly gathering in Europe and the Far East, Mr. Roosevelt apparently shared with him an idea he had been turning over in his mind for a global conference to preserve world peace. In a story on the front page of The New York Times on Aug. 26, 1936, Mr. Krock reported:

"The President is seriously considering a plan — his own — in the event of his re-election to propose a joint conference soon thereafter with the heads of the most important nations in an effort to assure the peace of the world. He has mentioned his idea to a few intimate friends, stressing that he is earnestly weighing the possibilities."

"The conference, to meet in the place considered fittest by those participating, would include the President, King Edward VIII, Joseph Stalin, Benito Mussolini, Adolf Hitler, President Lebrun of France, effective representatives of Japan and China and a few others."

The report created an international sensation but apparently did not please Mr. Roosevelt. He was in the midst of his re-election campaign and wanted to convey the impression that he was determined to keep America out of any foreign con-

flicts. The White House promptly denied the report. In January 1937, the president wrote with more candor to William Dodd, the U.S. ambassador in Berlin: "The story by Arthur Krock was not wholly crazy. If five or six heads of the most important governments could meet together for a week with complete inaccessibility to press or cables or radio, a definite, useful agreement might result or else one or two of them would be murdered by the others! In any case it would be worthwhile from the point of view of civilization!"

Mr. Krock knew that the president had not lost interest in the idea of a big summit, but that he wanted to hold it in a place where talks could be carried on in strict confidence, without reporters seeking to discover what was being said. He also knew that Mr. Roosevelt was slated to visit the Inter-American Conference for the Maintenance of Peace, being held in Buenos Aires in early December 1936. On Nov. 9 he wrote to Mr. Roosevelt:

"Discussing with Mrs. [Anne O'Hare] McCormick [The Times's foreign affairs analyst] today your projected voyage to the Argentine, I worked out what may impress you as a good modus operandi if and when the time comes that you want to meet privately with other world statesmen in the interest of general peace. This method deals satisfactorily, in my opinion, with several of the difficulties presented by such a gathering — difficulties relating to the safety and privacy of the participants, the place of assembly, transportation to and from."

"There is no reason I can think of why the Indianapolis could not point her prow toward a harbor in the Azores, or another haven near to the United States and to Europe, while at the same time, cruises from other nations steer a similar course. There is no reason why the more distinguished passenger conceivable on each of these vessels would not be as safe as any human being could ask to be in a machine devised and operated by man."

"When the ships have assembled in the harbor, their eminent passengers could all gather on one of the vessels, or change their meeting-place several times during the course of the conversations. It would be wholly impossible for any but themselves to know what they say or to come near enough to see them, if that seems wise. Communiqués issued before sailing from home, after each session of the conversations, and at the conclusion of the meet-



ing, could keep the world public as fully acquainted as the participants might wish."

Mr. Roosevelt seemed delighted and interested. Three days later he responded in characteristic snappy fashion, in a letter marked "PRIVATE AND CONFIDENTIAL."

"Dear Arthur: 'Many thanks for yours of the ninth. The idea is perfectly pious but as to the execution, alas! When I dropped anchor in the harbor of X, I would find Bob Allen, Drew Pearson, Paul Mallon and Walter Winchell appearing, pencil in hand, from the mouth of a sea-going whale!'

"As you stockbrokers would say, 'when, as and if the foregoing should come to pass, it could obtain privacy only if the United States Marine Corps is put in charge. That is the only organization I could back against the American press.'"

"Nevertheless, and in spite of all the above, it is a fascinating subject to think about and, seriously, I do appreciate very much your thought."

On April 27, 1939, Mr. Krock reported in The Times that sometime between May and September of the preceding year — that is, during the Sudeten crisis — Mr. Roosevelt in strictest secrecy had

sought to meet with Hitler and Mussolini at sea, or "near some neutral island such as one of the Azores," but that Hitler reportedly declared he "could not arrange to leave Europe for that purpose even if he believed a settlement could come of it."

In August 1941, FDR and Winston Churchill met on short notice at Argentia Bay, and after their talks issued the Atlantic Charter. By then, Mr. Krock's relations with Mr. Roosevelt had become increasingly strained, and it was not until he published his memoirs in 1968 that Mr. Krock disclosed his November 1936 suggestion to the president. The letter containing it is in the Franklin D. Roosevelt Library at Hyde Park.

FDR never lost his enthusiasm for summit meetings, on land or sea. It is an enthusiasm shared by his successors, including George Bush.

The writer is a professor of history at Rice University and co-editor (with Harold D. Langley and Manfred Jonas) of "Roosevelt and Churchill — Their Secret Wartime Correspondence" (to be republished in early 1990). He contributed this essay to the International Herald Tribune.

## LETTERS TO THE EDITOR

## The Goal Is Renewal for All of Europe, Not Just Germans

The question posed by the opening of the borders between the two German states is not one of reunification, at least not in the short run. It is rather how to graft a state-run and moribund economy to a thriving capitalist economy.

German nationalists, and those who would placate them, would like to see the solution as simply reunification, and in one gulp would swallow the German Democratic Republic. But how would this help Poland, Hungary, Czechoslovakia and the Baltic states?

The hard work will be to establish conditions in which, through cooperation and goodwill, East and West Germany can actively participate in ushering in a new era of human rights, ecological awareness and economic prosperity for

the whole of Eastern Europe — and, for that matter, for Europe from the Atlantic to the Urals. At present, difficult as it may be, Germany must rein in its nationalistic aspirations until the integration of Eastern and Western Europe is on much firmer footing.

STEPHEN LISS,  
Berlin.

The Czechoslovaks are once more reaching for freedom and democracy, scrambling to avoid being left behind as Central Europe reorganizes itself. With this reorganization, the issue of Soviet occupation is burning in their minds.

How much change can Mikhail Gorbachev tolerate in Central Europe, and what will he do when the limit is

reached? Is that limit the demand for a complete withdrawal of the Red Army?

In the West, there are two fundamentally different views of the limits of Central Europe's self-determination.

One says that the Soviet Union is in Central Europe to stay. Like it or not, this region is part of a Soviet security system that Moscow will not alter.

The other view holds that Mr. Gorbachev wants to withdraw the troops. It is unreasonable to think that ancient and culturally autonomous countries — Czechoslovakia, Hungary and Poland — that are attached to West European civilization can be deprived indefinitely of their independence.

I support the latter view, for at least three reasons. First, the Soviet attempt to stay is itself the cause of enduring

instability in Europe and in East-West relations. Second, Central Europe now needs stable evolution. Third, the degree of self-determination of Central European countries, including East Germany, might best be served by a gradual withdrawal of the superpower forces, which could in turn provide enormous financial savings for the crumbling Soviet economy and reduce the U.S. deficits.

JOSEF NOVAK,  
Paris.

In an annex to the NATO Treaty of 1949, all the member states of the alliance formally recognized that "no final and stable settlement in Europe was possible without a solution of the German question which had to end the unnatural barriers between

Eastern and Western Europe, most clearly and cruelly manifested in the division of Germany."

The signatories undertook "to examine and review suitable policies designed to achieve a just and stable order in Europe to overcome the division of Germany and foster European security."

The only excuse put forward by those now opposing reunification to explain their about-face is that when these assurances were given by the allies to ease West Germany's entry into NATO, no one thought that they would ever be called upon to witness such an eventuality. If so, they are guilty of a lack not only of foresight but also of integrity.

FREDERIC BENNETT,  
London.

## GENERAL NEWS



An opposition leader, Chandra Shekhar, left, sharing a laugh Thursday in New Delhi with Aji Singh, a member of Parliament.

## Front-Runner in India May Have a Fight

By Steve Coll

NEW DELHI — Opposition leaders lobbied members of Parliament on Thursday in preparation for a meeting Friday at which the centrist National Front is expected to nominate India's next prime minister.

Vishwanath Pratap Singh, president of the National Front political alliance and a former commerce, finance and defense minister in the central government, remains the leading contender for prime minister.

But while some opposition leaders worked Thursday night to ensure that the endorsement of Mr. Singh was unanimous, others indicated that he could expect a contest from one or more rivals.

If Mr. Singh or another opposition leader is nominated Friday, a new government could be formed and India's ninth Parliament convened as early as Sunday. Rajiv Gandhi resigned as prime minister on Wednesday after his Congress (I) Party's poor showing in national elections, clearing the way for the National Front to lead a minority government.

Mr. Singh is considered the front-runner for several reasons: He is the only top National Front leader with extensive experience as a federal minister, his support transcends regional and caste lines and, as the leader of the front's electoral campaign, he is credited with the coalition's strong showing at the polls.

His two main rivals within the National Front for the prime minister's post — a rural leader, Devi Lal, 75, and Chandra Shekhar, a past president of the Janata Party, the biggest party in the National Front coalition — continued to adopt ambiguous public stances about their interest in becoming prime minister. But associates of the two men privately insist that they are in the running.

Mr. Shekhar contracted malaria eight months ago and has been confined to bed most of this week. He has received visits from supporters and rivals who have come, according to a press statement, "to inquire about his health."

He met briefly with reporters Thursday afternoon, but when asked whether he was a contender, he replied, "I'm not commenting

on the internal affairs of the party." Mr. Shekhar reiterated his view that the National Front should hold an open election on Friday to choose its leader, rather than simply endorsing Mr. Singh by unanimous consent.

Virtually final results from the election show that a National Front-led minority government will have no difficulty establishing control in Parliament with promised outside support from India's two Communist parties and a Hindu conservative group, the Bharatiya Janata Party, the fastest-growing political party in the country.

With results in 523 of the 525 parliamentary districts declared final, the several parties of the National Front coalition won 144, the Bharatiya Janata Party 88, and the two Communist parties 43. Mr. Gandhi's Congress (I) won 192 seats, more than any other single party, but less than half its total in the last election in 1984. Congress (I) declined to form the next government because it could not find enough coalition partners to obtain a majority.

How long a minority government can last is far from clear. The

two Communist parties have pledged their unconditional support to a National Front administration, but the Bharatiya Janata Party has offered only "general but critical" support.

Leaders of the Bharatiya Janata Party have expressed concern in the past about the attitudes and policies of Mr. Singh. He has said he is committed to minority rights and a secular state, both of which are opposed by the Bharatiya Janata Party.

## Moroccans Vote Today On Postponing Election

Reuters

RABAT — Moroccans will vote on Friday on whether to postpone parliamentary elections for two years, as requested by King Hassan II on the ground that it will help hasten the end of the conflict in the Western Sahara.

The referendum to delay the first national poll in more than five years will almost certainly receive a resounding "yes," because all political parties favor a postponement.

## Finally 138 World Leaders Agree on Fighting a Common Enemy.



Unicef has a goal to help immunize every child against a common enemy: six of the top killer diseases of childhood — measles, whooping cough, tetanus, polio, tuberculosis and diphtheria. As recently as 1980, only 15 per cent of children in the developing world were vaccinated. But today Unicef's dream of Universal Immunization is becoming a reality.

In an unprecedented move, the Secretary General of the United Nations recently approached all Member States, inviting them to renew their commitment to Universal Child Immunization. The governments' enthusiastic response was matched by that of 400 non-governmental organizations. With this co-



operation, and of course Unicef's own expenditure on immunization — some \$80 million last year — thousands of children who would otherwise die will be saved each year. The cost per child? — As low as \$5.00.

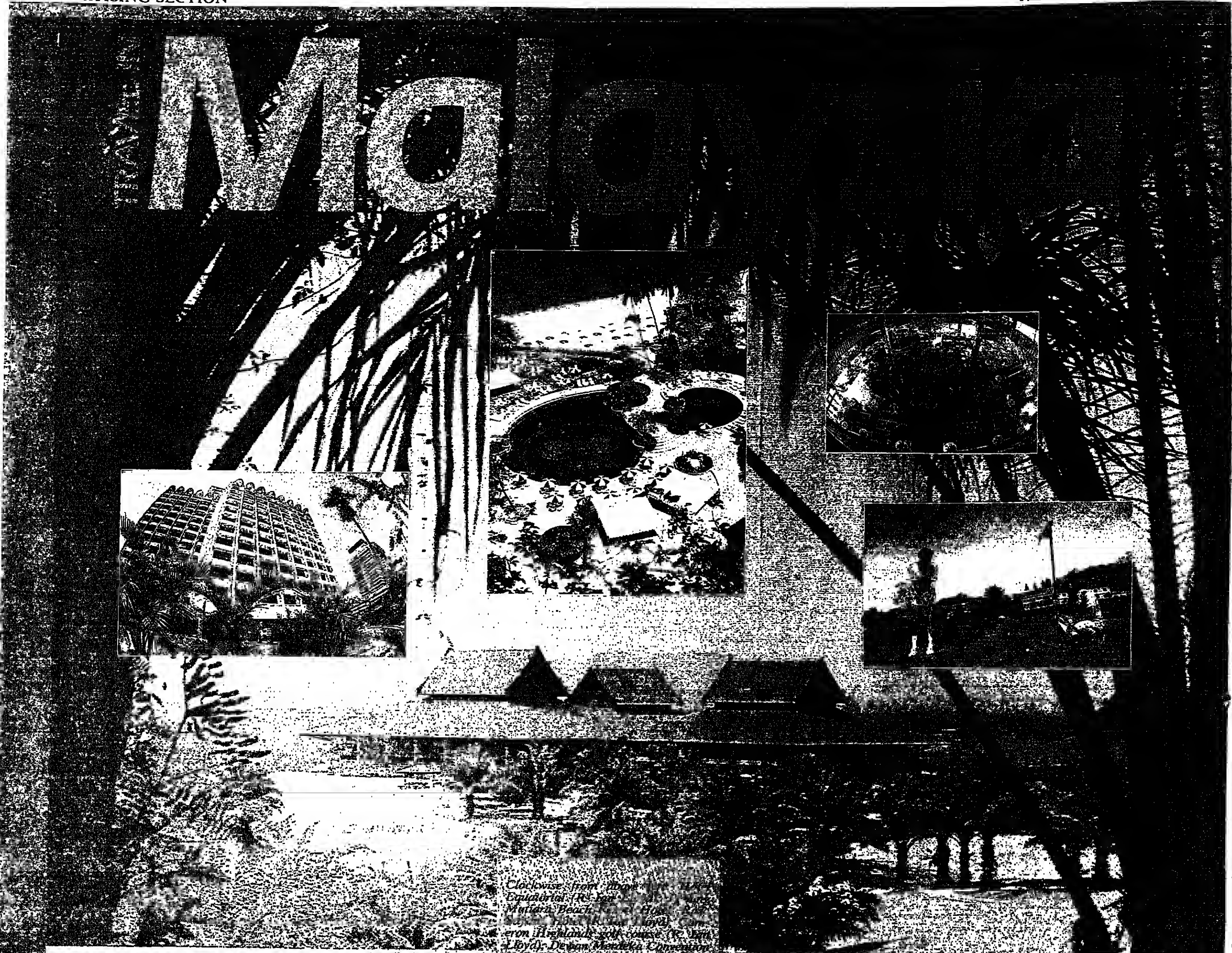
Primary health care is only one example of Unicef's commitment to the well-being of children in the developing world. In cooperation with local government partners, Unicef provides not only emergency relief, but material support, primary health care and education programmes which promote long-range community self-help.

That is why Unicef gives children not just a food parcel for the day, but a survival kit for many years.

Children Count on Us. Can We Count on You?

**unicef**  
United Nations Children's Fund





## Business Travel in Style at Resort/Conference Centers

As Malaysia prepares for its most ambitious tourism promotion in history, Visit Malaysia Year 1990, the foundations have also been laid for a major development of the nation's business-travel industry.

The twin targets of Visit Malaysia Year — boosting tourism and promoting Malaysia's international image as a fascinating new cultural attraction in Southeast Asia — are designed to lure more foreign investment, adding to the more than \$3 billion that has already poured into the country from Japan and other cash-rich advanced industrial societies.

The investment priorities are also twofold: expansion of the tourist industry itself and development of the country's manufacturing base — mainly electronics, textiles and petroleum and rubber products. These are to support Malaysia's move from a resource economy to industrial status.

In a bid to increase its share of the worldwide business-travel market, estimated to be worth as much as US\$340 billion per year, Malaysia is promoting its strategic position as a gateway to the rich potential of the Association of Southeast Asian Nations (ASEAN). It cites the 27 international airlines now flying regularly in and out of Kuala Lumpur, along with Malaysia Airlines' current fleet and route expansion — at least 15 new services planned to Australia, the United States, Europe and the Middle East by the end of next year — as new regional business services.

And Malaysia has other strategies up its sleeve. Malaysia Airlines is seeking an initial three services a week to Ho Chi Minh City, for example — the airline's managing director, Tan Sri Dato Abdul Aziz, predicts "tremendous growth" in business travel to Vietnam as the nation opens up to foreign investment, as well as increased return travel by Vietnamese emigrants.

Malaysia's British colonial legacy, its ethnic diversity and its campaign to lead the second wave of Asian NICs (Newly Industrialized Countries) have produced one of the most advanced educational levels in the region and, most importantly, a national fluency in the language of international business — English. And Malaysia has built a national infrastructure that offers business with pleasure in Kuala Lumpur; on the beaches of Penang and the other key resorts of the east and west coast; in the lush Cameron and Genting highlands; and even in the states of Sarawak and Sabah.

The main showpiece of Malaysia's business facilities, the US\$200 million Putra World Trade Center (PWTC) in downtown Kuala Lumpur, underscores the growth and sophistication of Malaysia's business-travel industry as the nation awaits the projected 4.2 million foreign visitors expected next year. PWTC offers two giant conference halls and other meeting facilities for up to 6,500 delegates, along with more than 15,000 square meters (161,458 square feet) of exhibition space. The five-star, 600-room Pan Pacific Kuala Lumpur is next door, with its Pacific Club business floors, business center and conference and banquet facilities for another 1,020 guests. Opposite the hotel is the Mall, a new retail complex.

Beyond the PWTC complex, a new generation of deluxe international hotels — the Shangri-La, Hilton, Regent, Park Avenue, Equatorial, Federal, Holiday Inn City Centre and Holiday Inn on the Park — offer convention facilities with full staging and audiovisual support for functions of up to 2,000 guests.

The resort island of Penang has been publicizing its own business-travel services during Penang Convention Year 1989, promoting its more than 5,000 luxury hotel rooms, convention facilities and leisure attractions.

Among the new resorts, the elegant 443-room Mutiara Beach Resort Hotel has joined the Orchid, Equatorial, Rasa Sayang and Shangri-La Inn to form a core of business and convention spots near the island's two main conference and exhibition centers: the 65-story Komtar Complex, which features a novel geodesic dome for large conferences, and Dewan Sri Pinang, built for the Pacific Area Travel Association convention in 1986. For business travelers, the island has the advantage of its own international airport.

To the north, the resort island of Langkawi offers up-to-date business and convention services at the luxury Langkawi Island Resort, along with its special status as a tax-free port and some of the best duty-free bargains anywhere in the Asia/Pacific region. To the south, the 161-room Pan-Pacific Resort on Pangkor Island has a mini-convention center with many leisure activities.



Close-up from above of the Equatorial Hotel, Kuala Lumpur, Malaysia's largest hotel.

Hyatt Regency Kuala Lumpur, a new hotel in the city.

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## Incentive Travel: Up-to-Date Services and Tropical Fantasy

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Hyatt Kuantan (R. Ian Lloyd), left; Hyatt Sungai golf course, background.

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# After 4 Decades, Malaysian Communists End Armed Struggle

By Michael Richardson  
International Herald Tribune

SINGAPORE — In a ceremony symbolizing the end of an era of armed revolutionary struggle in mainland Southeast Asia, guerrillas who have fought for 41 years to turn Malaysia and Singapore into a communist state will formally end their insurgency on Saturday, officials say.

Reflecting the breakthrough, Malaysian authorities said that dawn-to-dusk curfews imposed over areas of northern Malaysia, close to the border with Thailand, where the guerrillas are based, were to be lifted beginning Friday.

Although the agreement of the Communist Party of Malaya to renounce efforts to overthrow elected governments in Malaysia and Singapore by force is seen as a milestone, officials and analysts warned on Thursday that the shift might be tactical and that other threats to regional stability remained.

Lee Hsien Loong, Singapore's second minister for defense, said

that it would be "oversanguine to think that this de facto abandonment of the armed struggle" by the Communist Party of Malaya "marks the end of the Marxist threat, or that subversion and insurgency will no longer be problems in Malaysia and Singapore."

Nevertheless, he added, it is "a major event" for the Communists to concede, "after a long and bitter struggle, that they can no longer gain power through armed revolution, and must come to terms with the Malaysian government."

Thai and Malaysian officials said that Chin Peng, 67, and other leaders of the party would sign a peace agreement on Saturday with senior military commanders from Thailand and Malaysia in the southern Thai town of Hatyai.

A Thai Army spokesman, Major General Anusorn Krisanasarn, said the party agreed to dissolve itself, renounce armed struggle and disband its guerrilla army.

Mr. Chin, secretary-general of the Communists, has not been seen

in public since he returned to the jungle after abortive peace talks with Malaysian and Singaporean leaders in 1955. Intelligence sources said that he had been based in China for much of the time since then. The party has been supported by China for most of the time since it started an armed struggle in 1948.

At the peak of its influence in the 1950s, the party commanded an army of 12,000. Only about 950 men, many of them middle-aged or older, remain in the ranks and they have done little fighting in the last 12 months.

Throughout Southeast Asia over the last decade, free-market economic growth in non-Communist countries has reduced the appeal of Communist insurgency.

The Indonesian Communist Party, one of the largest in the world, was ruthlessly crushed by the army following an abortive coup in 1965 that Jakarta accused Beijing of masterminding.

The once-powerful Thai Communist Party was whittled down in the decade before 1985 by a counterinsurgency campaign combined with offers of amnesty and resettlement.

Only in the Philippines, where an estimated 23,000 guerrillas are active, does insurgency continue to pose a serious threat to a non-Communist government in Southeast Asia.

But General Fidel Ramos, the Philippine defense secretary, said Wednesday in Manila that after 20 years of fighting, the Philippine Communist Party was divided over how to try to take power.

"We think there is a bitter internal struggle taking place at the highest levels of their national leadership," he said.

The quandary the leadership faces, General Ramos said, is "whether the armed struggle should be predominant or should it be the legal or parliamentary or political struggle."

In recent years, guerrillas of the Communist Party of Malaya have been weakened by heavy defeats, defections and failure to attract young recruits, while China has found its links with the party a persistent obstacle to full and friendly relations with Indonesia as well as Malaysia and Singapore.

Diplomats said that even under its current hard-line leadership, China wanted to win friends and expand trade with other Asian countries and was prepared to ditch a band of guerrillas that was fighting a losing battle.

But C.C. Too, a former head of the anti-Communist psychological warfare unit in Malaysia, cautioned that the Communist Party of Malaya, rather than surrendering its aim to take power in Malaysia and Singapore, was changing tactics to gain legitimacy as a political force.

Malaysian officials said that only about 40 percent of the 950 remaining guerrillas were Malay-

sian. The rest are from Thailand. Thai military commanders played a key role in persuading the guerrillas to end armed struggle. Major General Anusorn, the Thai Army spokesman, said that a final round of negotiations between the rebels and Malaysia and Thailand took place early this month on Phuket, an island off southern Thailand.

He said the party agreed to dissolve itself, renounce armed struggle and disband its guerrilla army. Thai officials said that most of the guerrillas would accept an offer of amnesty from Thailand and resettlement on farms in southern Thailand.

Singapore's home affairs minister, S. Jeyakumar, said Wednesday that although the threat of Communist subversion may have receded, Singapore needed to retain its Internal Security Act to contain religious and racial extremism, international terrorism and espionage.



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## ASIAN TOPICS

### Half of Hong Kong Snubs U.K. Abode

Nearly half of the people of Hong Kong say they think a guarantee of right of abode in Britain — an idea the British government is resisting — is unimportant as the 1997 Chinese takeover approaches, according to a new survey.

The poll, conducted by Consumer Search Hong Kong Ltd., an independent company, was published Thursday.

Of 500 respondents, 45 percent said they considered the issue unimportant. Forty percent said it was significant.

The remaining 15 percent had no comment.

Nearly 80 percent of those who shrugged off a guarantee of abode in Britain said they "like Hong Kong and have no plan of leaving" or would "dislike residing in the United Kingdom."

Of those who said the right of British abode was important, 85 percent said it was needed as a confidence-booster rather than a right that they would be likely to avail themselves of.

Of Hong Kong's 5.7 million people, 3.3 million carry British dependent territory passports, which give them no right of abode in Britain.

### Around Asia

A theme park featuring Lilliputian models of Chinese landscapes and architectural landmarks has opened in the Shenzhen Special Economic Zone of China bordering Hong Kong. Sixty of a projected 100 sites were completed for the official opening of the \$25 million park on Nov. 22. The models, usually scaled down to one-twelfth size, cover 30 hectares (74 acres). They include the Great Wall; the Potala Palace in the Tibetan capital, Lhasa; the Forbidden City in Beijing; and the giant stone Buddha of Lishan in Sichuan Province.

Separatist rebels killed three policemen in an ambush on Bougainville island in Papua New Guinea on Wednesday, officials said. The attack a few miles from the country's largest copper mine, shut since May, was one of the most serious in a rebellion of militant landowners. Prime Minister Rabbin Namalin has urged the rebel leader, Francis Ona, to come out of his jungle sanctuary and negotiate a peace settlement. About 600 troops have been unable to flush out the rebels from thick rain forests around the mine. About 40 people have been killed since the rebellion broke out 11 months ago.

A small but growing number of married Chinese professionals are opting to remain childless because of poor pay and too much work, according to the *Liberation Daily* of Shanghai. It said 2

percent to 3 percent of big-city couples do not want children. The average Chinese urban income is 140 yuan (\$38) a month. But it tends to be higher for factory workers, who can earn production bonuses, and less for teachers, engineers and other professionals. Under China's strict family planning laws, urban couples can have only one child. More traditional-bound rural couples can try for a second child if their first is a girl.

The most senior leader of the banned Nepali Congress Party, Ganesh Man Singh, was arrested Thursday and released after interrogation. Party officials said Mr. Singh, who is in his 70s, was questioned about a speech Nov. 14 in which he criticized King Birendra personally and called for greater freedoms.

The Fuji apple, a Japanese variety, is gradually being introduced in the United States. U.S. growers say it is sweeter and larger than most American varieties and — an advantage for retailers — it retains flavor and crispness in storage far longer. California and Washington state are starting to grow the Fuji. Michigan, the second largest U.S. apple producer, after Washington state, won't be able to grow the Fuji unless a new strain can be developed. The Fuji's six- to seven-month growing season is too long for Michigan's climate.

Arthur Higbee

## Taiwan's Budding Democracy

### Election, Although Limited, Is Closely Watched in China

By Nicholas D. Kristof  
New York Times Service

TAIPEI — In 1990, Xie Zhizhen made the terrible mistake of winning an election here, defeating a candidate endorsed by the governing Nationalist Party.

If Mr. Xie had survived — he was suspended by his thumbs, tortured and then executed — he probably would have been stunned by what is unfolding on this island of 20 million people.

This week, the streets are full of denunciations and recriminations and exhilaration as Taiwan prepares for its first political campaign in which opposition parties are officially allowed to compete.

The elections on Saturday will not fill the positions of greatest power, and there is sharp debate about how fair they will be. Yet the seats are being vigorously contested, and almost everyone regards the elections as a milestone in Taiwan's transformation from dictatorship to democracy.

News of the elections also resonates on the mainland, where the difficulties of inculcating democracy have made many young intellectuals despair that Chinese culture is flawed and incompatible with political or economic modernization.

The growing perception that Taiwan is transforming itself from an intolerant dictatorship to a wealthy democracy fascinates and partly reassures some of these intellectuals. "Every day is a little more demo-

cratic than the day before," Bo Yang, a prominent writer and social critic, said in an interview. "Taiwan is the greatest flowering of Chinese civilization in the past several thousand years."

Such praise might be expected from the propaganda apparatus, but Mr. Bo still bears the scars of torture by this government. His calls for democracy in the 1960s resulted in his arrest and imprisonment for nine years on the charge that he was a Communist agent.

He recalls that while in prison, he decided there was no difference between the governments on the mainland and in Taiwan.

Now, he hails the Taipei government for engineering the country's democratization, although he plans to support the moderate wing of the opposition Democratic Progressive Party.

The transition to democracy is regarded by many diplomats and scholars as having proceeded remarkably smoothly, but the elections will fill positions of only secondary importance; seats in the legislature and in city and county governments.

Moreover, almost everyone acknowledges that the process is hampered by vote buying and structural unfairness.

"The election may be played according to the rules," said Antonio Chiang, a local magazine publisher. "But the rules of the game are unfair."

Mr. Chiang's point was that the Nationalist Party is so entrenched in Taiwan and controls so much of business and government that opposition candidates rarely get equal access to the press and broadcast outlets.

The party has responded to these criticisms, and independent newspapers and magazines are now allowed, but the opposition still says the election is tilted.

The voters will fill 101 seats in the legislature, but 189 seats are not up for election. Most of these are filled by people nominally representing districts on the mainland, over which the government here claims sovereignty.

There is little doubt that the Nationalists will win a majority, but the size of the margin will be closely watched.

Local journalists and others say that if opposition candidates won 35 percent to 40 percent of the popular vote, the Nationalists would feel the pressure. They say there might even be a move to drop President Lee Teng-bui when his term expires next year.

During the last elections, three years ago, opposition candidates won about 22 percent of the vote.

This is the first election in which they can officially compete as members of parties, and already there are about 16 parties planning to compete. Most are small. The principal opposition comes from the Democratic Progressive Party.

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THE HILTON • THE HOTEL



## MARKET DIARY

Via Associated Press Nov. 30

## London Commodities

Class	High	Low	Open	Close
SUGAR	14.00	13.90	13.95	13.95
Cocoa	1,200.00	1,190.00	1,195.00	1,195.00
Coffee	110.00	109.00	109.50	109.50
Wheat	120.00	119.00	119.50	119.50
Barley	110.00	109.00	109.50	109.50
Oats	100.00	99.00	99.50	99.50
Rice	15.00	14.90	14.95	14.95
Maize	12.00	11.90	11.95	11.95
Beans	18.00	17.90	17.95	17.95
Peas	16.00	15.90	15.95	15.95
Lentils	14.00	13.90	13.95	13.95
Flour	10.00	9.90	9.95	9.95
Oil	20.00	19.90	19.95	19.95
Butter	12.00	11.90	11.95	11.95
Cheese	15.00	14.90	14.95	14.95
Eggs	1.00	0.99	0.99	0.99
Pork	1.50	1.49	1.49	1.49
Chicken	1.20	1.19	1.19	1.19
Beef	1.80	1.79	1.79	1.79
Lamb	2.00	1.99	1.99	1.99
Veal	1.50	1.49	1.49	1.49
Ham	1.20	1.19	1.19	1.19
Bacon	1.00	0.99	0.99	0.99
Salami	1.50	1.49	1.49	1.49
Sausages	1.20	1.19	1.19	1.19
Hot Dogs	0.80	0.79	0.79	0.79
Bratwurst	0.90	0.89	0.89	0.89
Knish	0.70	0.69	0.69	0.69
Pastry	0.50	0.49	0.49	0.49
Cake	0.40	0.39	0.39	0.39
Bread	0.30	0.29	0.29	0.29
Pasta	0.20	0.19	0.19	0.19
Spices	0.10	0.09	0.09	0.09
Herbs	0.05	0.04	0.04	0.04
Tea	0.02	0.01	0.01	0.01
Coffee	0.01	0.00	0.00	0.00
Alcohol	0.00	0.00	0.00	0.00
Tobacco	0.00	0.00	0.00	0.00
Drugs	0.00	0.00	0.00	0.00
Medical	0.00	0.00	0.00	0.00
Chemicals	0.00	0.00	0.00	0.00
Plastics	0.00	0.00	0.00	0.00
Metals	0.00	0.00	0.00	0.00
Energy	0.00	0.00	0.00	0.00
Transport	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00
Real Estate	0.00	0.00	0.00	0.00
Art	0.00	0.00	0.00	0.00
Antiques	0.00	0.00	0.00	0.00
Collectibles	0.00	0.00	0.00	0.00
Books	0.00	0.00	0.00	0.00
Music	0.00	0.00	0.00	0.00
Video	0.00	0.00	0.00	0.00
Games	0.00	0.00	0.00	0.00
Toys	0.00	0.00	0.00	0.00
Clothing	0.00	0.00	0.00	0.00
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Defense	0.00	0.00	0.00	0.00
Government	0.00	0.00	0.00	0.00
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Video	0.00	0.00	0.00	0.00
Games	0.00	0.00	0.00	0.00
Toys	0.00	0.00	0.00	0.00
Clothing	0.00	0.00	0.00	0.00
Shoes	0.00	0.00	0.00	0.00
Jewelry	0.00	0.00	0.00	0.00
Watches	0.00	0.00	0.00	0.00
Optics	0.00	0.		



# TRAVEL

International Herald Tribune

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## Budapest: The Bather's Ultimate Spa Crawl

by Sarah Farmer

**B**UDAPEST — This city is a bather's dream city. Nowhere else will you find this combination of a rich cultural life, magnificent architecture and good restaurants with endless possibilities for bathing and swimming in pools fed by thermal springs.

What Texas is to oil, Hungary is to thermal waters. This immense natural resource lies under 90 percent of the national territory. Budapest alone has 123 thermal springs. The traveler can spend a full day sightseeing and unwind in one of the city's myriad bathing establishments, before going out for the evening. One can steam in Turkish baths, loll about in tiled thermal pools, exercise in spacious swimming pools and finish off with a professional massage.

Most of the baths are on the right bank of the Danube in historic Buda, across the river from the commercial and cultural center of Pest. Open from 6:30 A.M. to 7 P.M., all are easily accessible by foot or public transport. Entrance to most baths and pools costs less than a dollar, and for a minimal fee one can rent towels, suits and bathing caps and lock up valuables in a safe-deposit box.

Ever since the Romans first set up camp in the northern reaches of the city, travelers have praised the beneficial effects of local waters for their medicinal and spiritual powers. In 1438 the knight Bertrand de la Broquiere, on his way back to France from the Holy Land, noted the plenitude of hot baths outside the castle ramparts of Buda. When the Turks occupied Buda from 1541 to 1686,



The entrance of the Gellert.

pashas built luxurious steambaths and thermal pools on these sites — many still in use. The 17th-century Turkish traveler Evliya Chelebi swore by the water's healing powers: "It is beneficial for the French sickness and for seven other ills. The rule for the use of these baths is that when the body becomes quite red in it, one must leave the water and keep oneself warm."

In the 18th and 19th centuries, Hungarian doctors emphasized the thermal cure. Today,

many of the baths have modern medical units where people seek relief from ailments ranging from rheumatism, degenerative joint and spinal problems, gout and respiratory illnesses to gynecological disorders and infertility. Whatever the healing properties of the waters, the relaxation they provide does wonders for both body and soul.

A good place to start the bather's equivalent of a pub crawl is at the Gellert Hotel and Medicinal Baths, situated in a magnificently restored Art Nouveau building on the right bank of the Danube at the abutment of Szabadsag Bridge. The baths are accessible by the entrance on Kelenhegyi Ut (Street), and to guests directly from the hotel.

**D**ECISIONS must be made immediately for, as in most of Budapest's baths, each activity requires a separate ticket. Services and prices are listed on painted placards on the cashier's wooden booth. Swimmers who need a towel leave a deposit of approximately \$1.50, which is reimbursed on the way out.

The setting of the dimly lit, extravagantly tiled bathing hall is grandiose, the mood rather sedate and formal. Whereas at other baths women come to both gossip and bathe, here silence is appreciated. Stone steps lead into two shallow pools of different temperatures — 96.8 and 100.4 degrees (36.2 to 38.2 centigrade) — filled with thermal water with a rich brew of calcium, magnesium, hydrocarbonates, alkalies, sulfate and fluoride.

Walking north from the Gellert along the Danube, one passes into a little flat, green valley between Gellert Hill and Castle Hill

known as Taban. Here are two bathing establishments: the Racz baths, built during the reign of King Zsigmond in the 15th century, and the Rudas baths, built by the Turkish pasha Mustafa Sokoli in 1566 (newer structures have been built around them). The Racz offers thermal baths and steam baths. At the Rudas, there is a thermal pool, open to men only, as well as a modern swimming pool. Here one feels far away from the more glamorous world of the Gellert. These baths, frequented almost exclusively by local people, are in modest buildings that could use a new coat of paint. Inside they are clean and cozy.

At the other end of Castle Hill, not far from the Margaret Bridge (Margit Híd), are the 16th-century Kiraly baths — the gem of Turkish baths in Budapest and perhaps the most restful. The largest, central dome is peaked by a golden moon and crescent. One steps off the noisy street into a haven of calm. Display cases set into the walls show Roman and medieval stone carvings, as well as pieces of the original wooden water pipes. After changing upstairs, one descends into the dim oasis of the baths.

A 15-minute walk north from the Kiraly leads to the Lukacs baths, named for St. Luke. Built at the end of the last century, these baths have a history of successful treatment for rheumatism.

**O**N no account should one fail to visit the enormous extravaganza of the Szecsenyi baths set in the Városliget, one of the largest city parks of Pest, which also houses the national zoo, an amusement park and a crazy 19th-century castle built to illustrate different architectural styles.

The exterior of the Szecsenyi is showing signs of wear, yet the chipped stucco and worn stone add to its cachet. These baths are a bit gloomy, but not the building, which looks like a scaled-down hybrid of St. Peter's and the U.S. Capitol.

The Szecsenyi provides single-sex locker rooms as well as private changing booths for couples. A 50-meter-long swimming pool is filled daily with fresh spring water kept at 86 degrees. At the east end is a shallow, semicircular pool for children. At the other end, a slightly larger pool of the same shape holds 100.4-degree water. All day long groups of men play chess while sitting in water up to their necks.

At the Szecsenyi one can take thermal baths and swim outdoors year round. In winter the corridors to the swimming pools are heated and one can use a poolside sauna. Some consider this the best time of year. "You should come back when there is snow lying on the deck and the water steams," advised one bather.

Sarah Farmer, a doctoral candidate in history at the University of California, Berkeley, wrote this for The New York Times.



Mingling chess in the Szecsenyi bath with café life.

Jill Sam (7)



Sculptures inside the north gate of the stupa are noted for their liveliness.

## Pilgrimage to the Stupa of Sanchi

by Olivier Bernier

**I**NDIA, in the majestic sweep of its long history, has known glory and famine, empire and invasion. There is nothing unusual about that, but India is unique in one respect. Having invented one of the world's great religions, Buddhism, and exported it to most of Asia, it then proceeded to forget about it. Today, while Hindu temples and Muslim shrines are still fully active, one of the earliest and greatest of the world's Buddhist monuments, the Stupa of Sanchi, lies deserted by all except a very few (mostly Japanese) tourists.

That is in part, no doubt, because the stupa is off the beaten path: a 90-minute drive from Bhopal, a city not famous for its charm, Sanchi's only accommodation is at a monastically simple government guest house. But it is well worth the trip. You no more have to be a Buddhist to enjoy Sanchi than you need to believe in Jesus to admire the cathedral of Chartres; the site, the monument itself and the sculpture are all thrilling to see. And for those of us who are moved by antiquity, especially when it is joined to high quality, it is worth remembering that the carvings on the four gates, the latest element of the complex, were completed in 75 B.C.

The beginnings of the monument go back yet further. Emperor Asoka, the first monarch to extend his rule to the almost entire subcontinent, laid down the first stone some time around 250 B.C. An enthusiastic convert to Buddhism, he erected a series of stupas, the mounds in which especially sacred relics were buried, all across India. The passage of time and the depredations of successive invaders have either destroyed or severely damaged all the others. Today, only Sanchi remains, a testament to spiritual wisdom and artistic achievement.

Carefully situated on top of a tall hill, the stupa dominates the landscape all around. Indeed, to see it silhouetted against the sky as you begin to come close is also to start the process in which its builders involved all its visitors. Buddhism, then as now, taught its faithful to see through the delusions of the world, and the physical disposition of the approach and the monument itself are such as to duplicate the progress of the psyche.

First, pilgrims walked up the serpentine road that leads from the valley to the site

*The Stupa of Sanchi is one of the earliest and greatest of the world's Buddhist monuments.*

itself — there is now a paved road so cars can drive up. Little by little, therefore, they rose above the world, finding themselves eventually on a broad plateau that offers breathtaking views all around. Although already distant, the world still looks extremely appealing; but then the stupa itself comes into sight. A huge hemispherical dome, 54 feet high and 70 feet in diameter, its vast brooding presence speaks of secrets enshrined even as, in its egg-shaped symbolism, it hints both at spiritual rebirth and at the most widespread of the Indian creation myths in which the primordial egg divides into male and female halves.

This great mass is linked to the earth by a stone barrier, interrupted by four gates; at the top, another stone enclosure provides a transition to a three-tiered stone umbrella

that symbolizes deference to Buddha — the umbrella, in India, is the mark of royalty — even as it reminds us of the bodhi tree under which he sat when he achieved nirvana. And, finally, about a third of the way up the dome, a terrace, also partly enclosed by a stone fence, allows the visitor to repeat the circumambulation that he was expected to carry out at the ground level.

This process of walking around the vast hemispherical monument is all-important: it was believed that, providing you did it the right way, clockwise, your spirit would be touched and enriched by the emanation of the relic buried in the stupa.

**A**S you enter through one of the four gates, you find yourself first in a little stone antechamber. Whether the gates were set off from the stone fence to deflect evil spirits (which, as is well known, can only travel in a straight path) or whether it is simply a clever device to provide a transition from the world outside to the space at the base of the stupa, the passage through this small space is remarkably effective.

Once we have come through it, we find ourselves in a narrow space with, on one side, the stone fence, carved to look like logs, and on the other the huge pile of masonry. Because this last casts a deep shadow, it is suddenly much darker than it was outside, while we may occasionally glance out through the interstices between the stone logs, we see nothing but small fragments of the surroundings. Here, we are indeed remote from our world. By the time this visitor had finished his circumambulation, he was both quieter and more inward-looking.

The symbolism is obviously meant to par-

Continued on page 12

## TRAVELER'S CHOICE

### Joint French-U.K. Rail Pass

French National Railroads and BritRail have agreed to introduce a joint rail pass on Jan. 1 in a move that foreshadows closer ties across the English Channel in the 1990s. The new pass will follow the Eurail Flexipass pattern, unlimited train travel for any five days in a 15-day period and any 10 days during a 30-day period. The five-day pass costs the equivalent of \$199 in second class and \$269 in first class; the 10-day pass is \$299 and \$399. Children age 4 to 11 pay half. In addition to applying to trains in both countries, the pass is valid for one round trip on Hovercraft: Dover-Boulogne or Dover-Calais, or on the ferries when the Hovercraft cannot operate because of bad weather. France, but not Britain, belongs to the Eurailpass organization, which sells passes for rail travel in 17 countries.

### Business as Usual in San Francisco

In San Francisco a fax machine, personal computer, answering machine and work area in every room is available to executives who don't want to get away from it all at the new Nob Hill Lombard. (The hotel was without electricity for a day after the Oct. 17 earthquake but was not damaged.) When the hotel's telephone operators answer room calls they announce the name of the guest's company as well as his or her name. The owners describe the hotel, which has 14 rooms and 6 suites, as the first "execotel."

### The Eurasians Are Coming

The National Museum of Natural History in Washington has its second straight blockbuster show of treasures from the great ethnic museums of the Soviet peoples. Succeeding an Eskimo exhibition is one on the awesome sweep of history commanded by the fierce nomads of the Eurasian steppe, from the ancient Scythians to today's collectivized but still stubbornly independent clans. The show covers 3,000 years, and will send some visitors into culture shock. In most Western histories, Attila the Hun, Genghis Khan and Tamerlane are painted as cruel and childlike barbarians from the Asian outbreak,

pitiless savages who from time to time troubled the borders of "civilized" Europe. But a thousand years before the birth of Christ these energetic and inventive nomads had a rich and complex culture all the more remarkable for its portability.

### Browning in Florence

The centenary of the death of Robert Browning will be marked in Florence at Casa Guidi, where the English poet lived from 1847 to 1861. A bust of Browning and another of his wife Elizabeth Barrett Browning, both by American sculptor William Westmore Story (1891-1895), are part of an exhibition opening Dec. 19 which includes books, letters, furniture and other memorabilia recently acquired by the Browning Institute, which operates Casa Guidi. (Casa Guidi, Piazza San Felice, 8, Monday to Friday, 3 to 6 P.M.)

### History and the South Tirol

Not every visitor (or native) knows what the predominantly German-speaking South Tirol, taken from Austria after World War I, is doing in Italy (under the name of Alto Adige). How it got and stayed there has never been explained more graphically than in an exhibition, "Option," which occupies Bolzano's Museum of Modern Art through Feb. 24. After Hitler annexed Austria in 1938, Mussolini offered the balky South Tiroleans the option of emigrating from Fascist Italy to Nazi Germany and an overwhelming majority opted out of Italy. Every room has been made part of the South Tirolean experience: swastika-shaped for the embrace of Nazism; railroad tracks strewn with gravel for the exodus into the Third Reich; steep steps up and down the Dolomites for the illegal return of some. Primarily photos and documents with a few audio-visual stations. If German, Italian or Latin (the Rhaeto-Romanic third official tongue of South Tirol) are not in your repertoire, English-language tours can be arranged on a few days' notice to Museum für Moderne Kunst, Sernesstrasse 1, I-39100 Bolzano, tel: (0471) 98.00.01. (Alan Levy)

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## TRAVEL

## THE FREQUENT TRAVELER

## Keeping Track of the Costs

by Roger Collis

I THINK it was Alfred Sloan of General Motors who said: "I know that at least half of our advertising money is being wasted. The problem is I do not know which half." A similar dictum might apply today to the money that many companies spend on travel.

This is big business. According to an extensive survey by American Express, U.S. firms will spend a total of \$115 billion in 1990 on travel and entertainment (T&E). For most companies, this is the third largest controllable expense. Fifty-five percent say rising T&E costs are of top concern. Only 42 percent think they are successful at controlling them. A parallel survey in Britain found that T&E expenses have risen faster than turnover in half the companies researched. Overall, firms spend twice as much on T&E as they pay in corporation tax and four times more than for advertising and promotion.

Yet few companies have policies to manage this expenditure; in some cases they can't even identify how the money is spent.

"One of the strangest anomalies in the commercial world is the remarkably casual attitude displayed by otherwise cost-conscious companies toward money spent on business travel," says Arthur Lyddall, travel manager for Chevron in London and a founder and vice president of the Institute of Travel Management.

"Historically, T&E has been mainly about accounting control, whereas what is needed is management control," says Christopher Rodrigues, chief operating officer

at Thomas Cook. "For example, you're terribly worried about whether somebody has got 12 signatures before the agent issues the ticket but nowhere in the system for checking why you are flying out Friday evening when your meeting is not until 2 P.M. Monday. On the other hand you may not want the cheapest fare if it means changing two or three times or starting from Newark instead of JFK if you have to leave at crack of dawn. You have to decide how much you're going to manage your T&E."

Here is a checklist:

- Appoint a travel manager or coordinator and centralize your spending. In large companies this person may be in charge of a travel department; in a small operation it may be a secretary. The important

## Travel and entertainment costs are of top concern.

thing is to have somebody on your payroll with a career interest in the company who can acquire expertise and cultivate personal contacts in the travel trade. However good your travel agent, never place all your purchasing in the hands of a third party deriving revenue from the prices you pay.

- The first task of a coordinator is to look at where and how the company's travel dollar is spent. To what destinations do executives travel most frequently? How do they obtain tickets and settle hotel bills? What class of travel and accommodation are executives entitled to? What controls are in place? Auditing a random sample of expense reports is a good way to learn what is going on.

- The next step is to write a travel policy. Typically, this sets out guidelines on class of travel (say according to rank or journey time), grades of hotels and rental cars, daily spending allowances and latitude to be allowed in choosing flights, hotels and other suppliers. But be flexible; there are always exceptions: You might want to bend the rules for a top salesman to fly Concorde once in a while or take his wife along. Review it regularly. Make sure all executives read and understand it. And give your

travel agent a copy. The agent needs to know what you're seeking: economy above all else or the best service standards.

- Procedures follow from the policy. Whom do you call for a booking? Is this always done by the travel coordinator, or can you ask your secretary? Lyddall exerts control ("You've got to be the spider in the web") through a system of account number codes that appoint suppliers are informed about. So executives cannot buy a first-class ticket unless they're entitled to one.

- Source your suppliers. The idea is to focus your spending where you maximize your purchasing clout. You might want to put all your business with a travel agent or just your air tickets and buy hotels and car rental direct. "If you put the total with one agent you may become a major customer, depending on the size of your budget," Lyddall says. "He will give you a share of his commission and priority service — such as a direct phone line and terminal in your office and a courier service, and other frills. Or you might decide to split your purchasing power. In case of incentive travel, it might be worth giving that money to a specialist."

Large corporations can usually cut the best deals by negotiating directly with hotel chains and even airlines on routes that they fly regularly. This approach can sometimes make sense even for the small business or independent traveler. You may have more purchasing clout than you think if you focus on a particular city, consider patronizing just one hotel. Even 20 room-nights a year (don't forget to take meals, entertaining and conferences into account) may make you a special customer. Or else go through a specialist hotel booking agency.

- Minimize cash advances through the use of a corporate charge card, or tell travelers to use their own plastic for hotels and restaurants (reimburse them before their bills become due). Other benefits are insurance cover, itemized statements and emergency cash facility.

- Travel pattern analyses. A travel coordinator should prepare a management report each month, showing how much he is saving you (or could have saved) by comparing the normal air fare with the fare he offered. Typically, this will be categorized by traveler, department, destination and type of travel service.

Lyddall's bottom line prescription is this: "Centralize and save money."

## The Devil's Railroad, an Amazon Legend

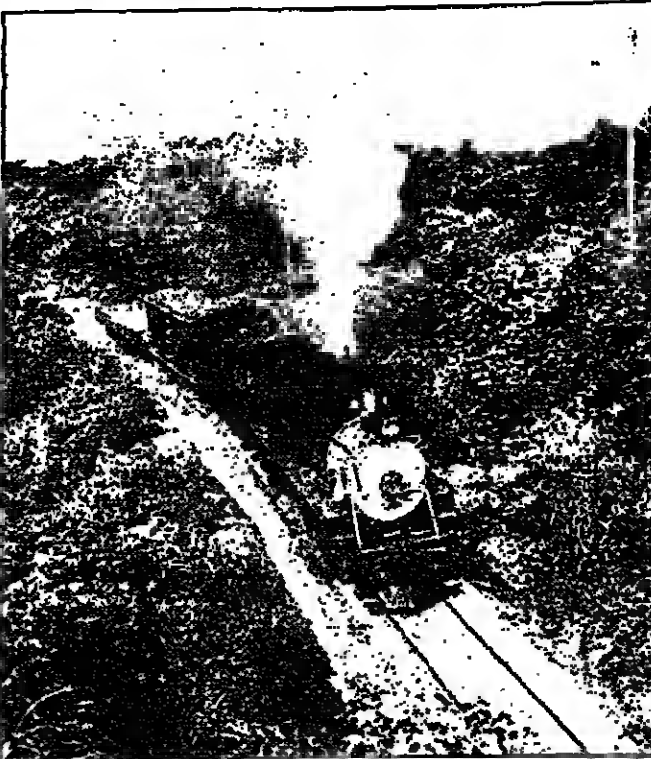
by Edwin McDowell

AFTER two loud blasts on the whistle, the wood-burning steam locomotive pulls slowly out of the railroad yard, crowded with passengers clad mostly in bathing suits and shorts. But instead of heading for some fancy beach resort, the train is bound for a large pile of rocks in the middle of the Amazon jungle.

We are in Porto Velho, the river port capital of Rondônia, a Brazilian state that abuts Bolivia in the farthest reaches of the Amazon Basin. And our train is the legendary Madeira-Mamoré Railroad, the so-called Railroad of the Devil.

Conceived in the 19th century as part of a bold dream to link this fever-ridden region of South America to world markets via the Amazon River and the Atlantic Ocean, more than 2,000 miles (3,200 kilometers) away, the railroad was painstakingly hacked through the jungle at a record cost for that time of about \$145,000 for each of its 228 miles. Its purpose was to provide a land route between Porto Velho and the Bolivian border, a stretch in which a series of falls and rapids rendered navigation impossible and made it almost impossible to get Bolivian rubber to markets in the United States and Europe.

Our train is filled with festive adults and fidgety children, who



A train of the Madeira-Mamoré railway.

overflow all seven passenger cars. The train runs only one day a week, making as many as a half-dozen trips each Sunday, and then only until the rainy season brings down-

pours and surprisingly chilly winds. But now is the dry season, and we are headed for Santo Antônio, a settlement five miles away, the site of the first set of rapids

and the end of the tourist line.

As we depart the train depot, which is situated on the banks of the Madeira River, the longest tributary of the Amazon, we move at a pace that not even the jungle's resident sloths would find taxing.

Successive 19th-century British, Brazilian and American construction companies made only the barest dent in the dense jungle wall.

IN 1907, Percival Farquhar, a Yale graduate who had already electrified Havana's horse-drawn streetcars and helped electrify Rio's street lights and houses, bought the railroad concession. Assembling an international labor force that totaled about 23,000, he completed the railroad in five years — but at a cost in lives estimated at as high as 6,000.

I remember having read that some of the workers were killed by jaguars and snakes, but most died of tropical diseases. In his travel classic, "The Sea and the Jungle," H. L. Tomlinson, the British journalist who sailed on a British freighter for Porto Velho in 1909, quoted an English employee of the railroad as saying: "Most of the men on this job have not been here three months. They come and shovel a little dirt, and die. Or they get frightened and go."

After Brazil's rubber market declined, the money-losing line was shut down in 1972, but in 1980 the

state of Rondônia reopened what

was left of it as a tourist attraction. Just beyond the wooden houses of Porto Velho our train enters the jungle, and we are immediately enveloped by trees and scrub brush. From time to time, we glimpse the slow-moving Madeira River, whose course the original train track more or less paralleled all the way to Bolivia.

After about an hour the train lurches into Santo Antônio and turns lazily around a siding.

Passengers clamber down, and we head for one of the half-dozen shacks that sell soda and guarana, the locally popular drink made from the seeds of a native Amazonian plant. Beneath the shade of a wooden roof we watch the picnickers flock toward the several large piles of graffiti-marked rocks high and dry on sandbars.

Back in Porto Velho, we are taken on a tour of the railroad museum adjoining its workshop. Here are displayed Waterbury clocks from England, aged maps and photographs of the railroad under construction.

There is also a steam engine made in 1878 by the Baldwin Locomotive Company of Philadelphia that is named for Colonel George Early Church, a Massachusetts-born civil engineer who failed in his attempt to build the Madeira-Mamoré Railroad.

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## Buddhist Shrine

Continued from page 11

allel the soul's withdrawal from the illusions of the world. But then, as we reach the base of the staircase leading up to the balcony a third of the way up the stupa, a new process begins. The very action of walking up the circular staircase seems to symbolize a corresponding spiritual elevation: as the soul becomes more enlightened, so it rises above the world's preoccupations. Indeed, as the pilgrim walked up the stairs, he moved from the darkness at the base to the brilliant light at the balcony level and, from there, as he proceeded to circumambulate once more, the parallel was completed. Just as he had given up the world when he entered the ground-level enclosure, so now he was of it, yet separate: He could enjoy its beauty without being enmeshed in its travails.

If this were all Sanchi had to offer, it would be enough; but then the gates are also carved with some of the most beautiful sculpture to be seen in India. Both the flat-topped upright posts and the three crossbars that top them are covered with scenes of the life of Buddha — and here, of course, it helps if you know what you are looking at. Luckily, all the information you need can be found in a remarkable guidebook by Alastair Shearer,

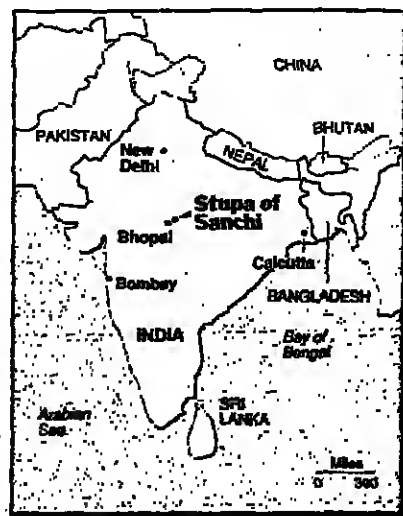
"The Traveler's Key to the Sacred Places of Northern India" (Knopf, 1983). There, if you are not already familiar with early Buddhism, you will discover that Gautama himself is never represented. A footprint, an empty throne, a bodhi tree hint at the unseen presence, and there is something wonderfully evocative in that particular act of restraint.

EVEN more fascinating, though, is what we do see: war scenes, and the adventure of the elephant in which the Buddha was, for a while, incarnate; the moment in which the young Prince Gautama (here symbolized by a riderless horse) leaves his father's palace as he renounces the world; the animal world worshipping the Buddha; a variety of miracles. Here, in fact, is not just a Buddhist equivalent of the New Testament, eloquently depicted in stone, but also a lively and accurate picture of India in 75 B.C., complete with palaces, pleasure grounds, forests and fortresses. Then, at angles of the vertical posts, usually leaning on the wonderfully realistic elephants that support the crossbars, are curvaceous yakshis, those oymphs that represent both the feminine aspect of the

earth itself and the power of women. There is also a profusion of decorative elements — lotus flowers, twining stems, ropes, as well as a veritable fleet of Wheels of the Law. But what is striking, aside from the sheer quality of the sculpture, is the animation of the figures, the lush abundance of the décor.

On one of the gates, the crossbars are supported by a covey of pot-bellied dwarfs, one smiling happily, another remarkably smug, the third grimacing with effort. Trees, in the various scenes, are peopled with monkeys, the rivers are full of fish. Everywhere, there are elephants, working, playing, listening, worshipping. Perhaps most fascinating of all, the anonymous sculptors have carved scenes in which we see crowds of pilgrims worshipping at a stupa exactly like this one.

Not all the gates are in equally good condition, but each has enough to intrigue the viewer. Here, it is not only a religion we see illustrated, but an entire world; although it vanished some 2,000 years ago, its profusion, its exuberance still speak to us in the most direct way. The gods may fade and die, but the art they inspire is immortal. At Sanchi, as



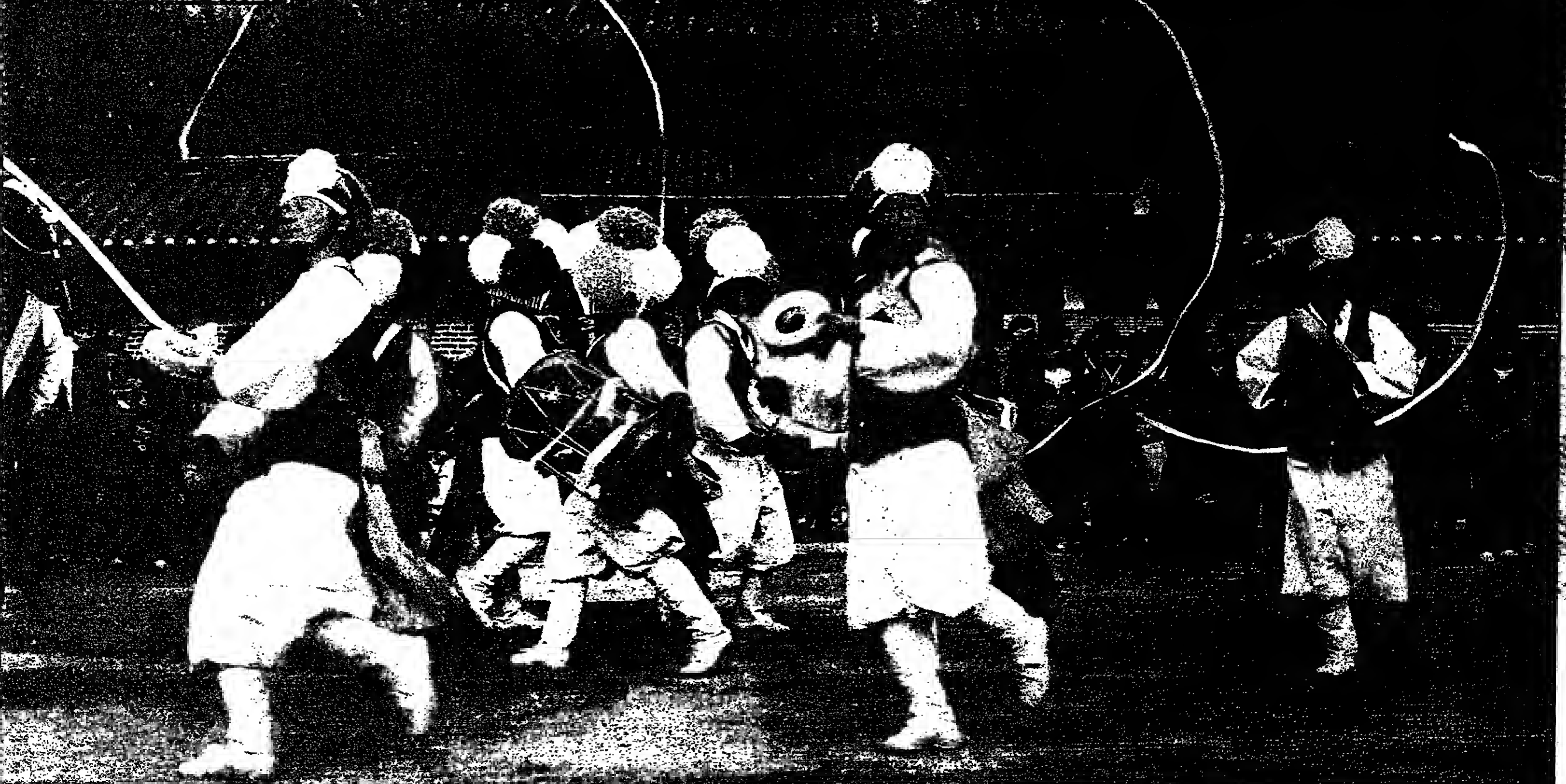
The New York Times

we look at the sculptured gates, glowing in the golden Indian light, we, too, know what it was like to live and worship when Buddhism was young.

Olivier Bernier's latest book is "Words of Fire, Deeds of Blood: The Mah, the Monarchy and the French Revolution" (Little, Brown). This was written for The New York Times.

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## TRAVEL

## California's Chefs Rediscover Potato

**L**OS ANGELES—If you want to know what Californians are in the mood for eating today, you have to look to Austrian-born Wolfgang Puck, whose Spago and Chinois on Main have set the standard for all that is gastronomically new, trendy, and desirable. Now he's expanded his empire to include San Francisco, where his huge and sparkling Postrio (545 Post Street, San Francisco; tel. 415-776-7825) is wowing the locals and making waves up and down the coast.

If you were worried that restaurant as theater was "out," you need not worry here. You enter Postrio's main dining room by descending a dramatic Hollywood-style staircase, with all eyes upon you. To

## PATRICIA WELLS

your left is the gigantic open kitchen, where young and efficient cooks and waiters bustle about with a sense of self-confidence that makes diners feel secure.

The food is wonderful: It's fresh, imaginative, beautifully seasoned, the sort of fare one California writer has described as "food you're glad to eat."

Chefs Anne and David Gingress form a trio with Puck (thus Postrio), offering a stunningly fresh and well-seasoned preparation of sir-fried lamb with garlic and mint in radicchio leaves. A chiffonade of mint and spinach is tossed with garlic, scallions and a bit of spice and pepper, then blended with finely chopped sir-fried lamb, all set into a "cup" of radicchio.

Here, as elsewhere all up and down the coast, the chefs are reflecting America's new love affair with potatoes. You might almost say that pasta is out and potatoes are in, but not quite. At Postrio, they offer "grilled free-range chicken breast on mashed potatoes with caramelized garlic."

**I**n Los Angeles, at the new and minimalist Patina (5955 Melrose Avenue, Los Angeles; tel. 213-467-1108), you'll find a "lasagne" of potatoes with wild mushrooms. Potatoes are sliced into thin rectangles, fried to a crisp, then used like strips of lasagne, sandwiching spoonfuls of wild mushrooms.

But the most imaginative, and delicious treatment of all can be found at Campanile (624 South La Brea Avenue, Los Angeles; tel. 213-938-1447) where chefs Nancy Silverton and Mark Peel, both alumni of Puck's Spago, are presenting a style of cooking that's generous, full-flavored and straightforward. Their potato invention consists of a delicate ravioli (real pasta for a change) filled with mashed potatoes, which are showered with generous slices of fresh Italian white truffles, leaves of basil and a touch of lemon juice.

Yet another offering can be found at Citrus (6705 Melrose Avenue, Los Angeles; tel. 213-857-0034), where chef Michel Richard shows off his ability to combine classic French training with a California sensibility. As a side dish to a pan-fried Hawaiian fish known as waka-waka, he prepares a traditional basket of shredded and fried grated potatoes, then fills it with mashed potatoes.

Almost as omnipresent and popular as the potato is the salad niçoise, which shows up in various guises all over California. At Patina, the niçoise is a beautifully composed salad consisting of slightly charred lamb set on a bed of greens, surrounded by little "tastings." There's a portion of thinly sliced fennel bathed in oil and vinegar; a snip of baguette layered with coarsely chopped olives; a mound of fresh fava beans; a single steamed potato.

At Patina as well as L.A.'s Pannell (1535 Ocean Avenue, Los Angeles; 213-394-2079), the niçoise is a typical blend of green beans, potatoes, olives and anchovies, only fresh tuna is cut into thick chunks and seared, rosy rare.

So what can we expect from California in the upcoming years? More fidelity for sure, for the most common phrase you hear is "It's the kind of restaurant you'd like to eat at three or four times a week." As well, chefs and diners alike are feeling more comfortable with their palates. It's OK to put Heinz catsup on the table again, and no one is going to frown if, like at San Francisco's Zuni Cafe & Grill (1658 Market Street, San Francisco; tel. 415-552-2522) you order a hardwood-grilled hamburger with grilled onions, a platter of shooting potatoes, and sip a glass of hearty Storybook Mountain Zinfandel from Napa Valley.

## Where the Bullets Flew: A Guide to Chicago Crime

by William E. Schmidt

**N**O historical marker, no plaque, tells what once happened at the corner of Western and 63d Streets, on Chicago's South Side. But there are the bullet holes that mark the spot where a hood named Frank McElrane opened fire one sunny September morning in 1925, with a submachine gun. McElrane, who shot from a passing car, didn't even hit his target, a rival gang member named Spike O'Donnell. Later, in an interview, O'Donnell remarked on McElrane's lousy aim.

"Boy, they sure give it to that drugstore. The front looked like they run a sewing machine over it."

It has been 60 years since Al Capone and his bootlegger rivals made war in the streets of Chicago during Prohibition, endowing the city with a gangland reputation that successive generations of civic leaders have sought — with little success — to put behind them. As a result, the Chicago hoodlum, circa 1925, is now as much a character in U.S. folklore as the Old West gunslinger.

While many of the actual sites and scenes have disappeared, others — or at least pieces of them — remain, and a visitor can take a guided tour with a good map and a car, and construct his own tour of Chicago's gangland past.

Start with the memories of Spike O'Donnell and Frank McElrane on the South Side.

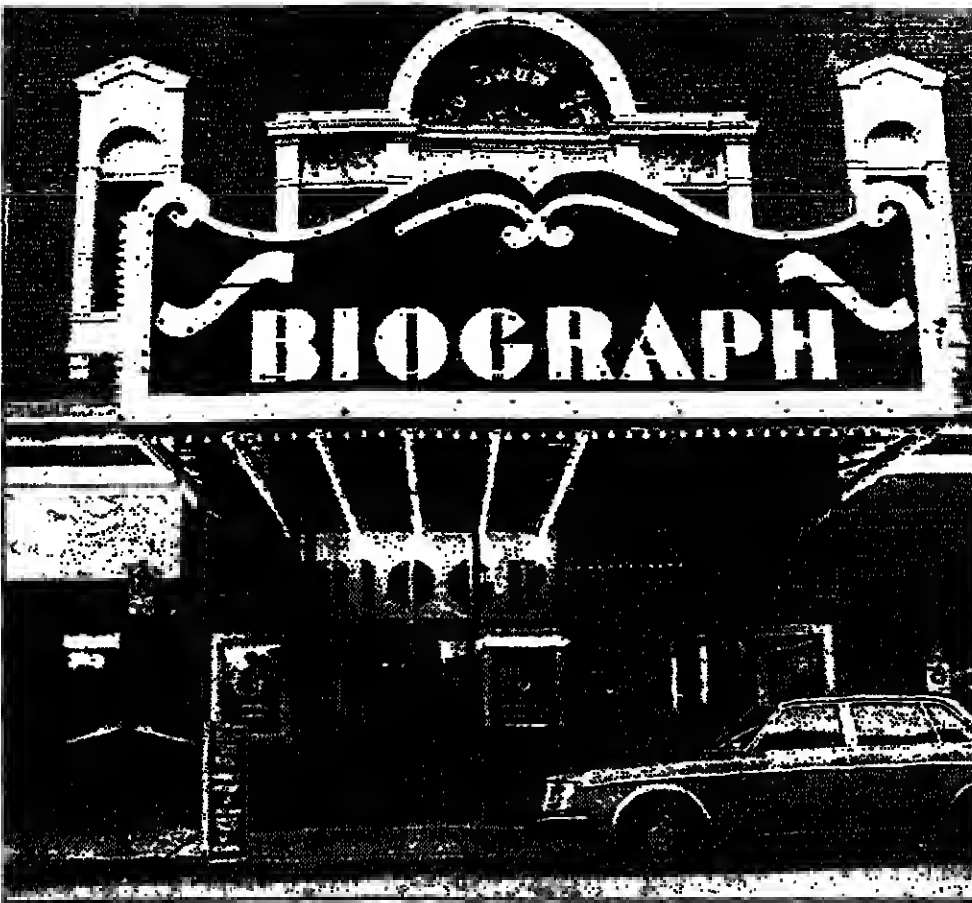
According to local historians and newspaper accounts, O'Donnell was standing in front of the old J.J. Weiss Drug Store, which is now a currency exchange, at the northwest corner of the intersection.

Suddenly, McElrane — an ally of Al Capone — wheeled around the corner in an open touring car, hollered "Hello, Spike," and began to spit bullets from his Thompson submachine gun.

**M**OST of McElrane's errand shots peppered the front of the drugstore, and a new facade covers the worst of the damage. But look closely at the first doorway on Western, immediately to the north of the currency exchange. The crater in the brick just to the left of the door, and the chips in the terra cotta, were probably made by McElrane's machine gun, according to research by historians at the Commission on Chicago Landmarks.

Now head about three and a half miles east, and drive past the neat, two-story duplex at 7244 South Prairie Avenue.

This surprisingly modest home was the residence of Alphonse Capone and his family, from 1923, just after he moved to Chicago, until 1931, when he was sent to prison for income tax fraud.



The Biograph where federal agents killed John Dillinger; a tour group at the New Michigan hotel where Al Capone had his headquarters.

The house, privately owned, was the object of a recent controversy, when historians sought to have it listed on the National Register of Historic Places, arguing that despite his notoriety, Capone was one of Chicago's most famous citizens.

Capone served eight years in prison, and died, finally, in 1947, of syphilis. He is buried in the Capone family plot at Mount Carmel Cemetery in Hillside. (Capone's grave bears the inscription "Alphonse Capone, 1899-1947," and the words, "My Jesus Mercy.")

Head to Michigan Avenue and 22d Street, and stop in front of the imposing if ramshackle 10-story building that looms over the intersection like a haunted castle.

The sign over the boarded-up entrance reads the New Michigan Hotel, but for most of its existence this building was the Lexington Hotel, where Capone maintained his headquarters during the period just before he was sent to prison.

This part of Chicago, known as the old Levee District, was once the heart of the Capone criminal em-

pire, a raucous, wide-open neighborhood where speakeasies and houses of prostitution flourished openly. One of the most notorious was the Four Deuces saloon and brothel, named after its address, at 2222 South Wabash Avenue.

It's now a weed-grown vacant lot across from some tattered warehouses, but on the sidewalk out front, the young Capone, who worked there, tried to entice passers-by to go inside.

Now head north to the intersection of Dearborn and Harrison Streets, on the south edge of the Loop. At the southwest corner is a large building that today consists of rental apartments and trendy storefront shops.

In the 1920s, this was an office building, and the headquarters of Al Capone's nemesis and arch-enemy, the "untouchable" Eliot Ness.

**C**ROSS the Chicago River, and you leave Capone gang turf. During much of Prohibition, the North Side was controlled by rival gangs, and some of the bloodiest episodes in the "beer wars" occurred here. Two of them took place within a single block, presided over by the great

stone edifice of Holy Name Cathedral, along State Street between Chicago Avenue and Superior.

The block across from the church these days is a parking lot. But in the 1920s, it was all storefronts, including a small flower shop owned by a hoodlum named Dion O'Bannon.

O'Bannon is one of the most storied of Chicago gangsters, a former altar boy with a young face and sweet tenor voice. He ran the booze on the North Side until he crossed Johnny Torrio, a dapper hoodlum who helped Al Capone get his start. In revenge, Torrio sent a couple of his torpedoes down to O'Bannon, purportedly to buy a floral wreath. Instead, they cut down O'Bannon, who died on the spot, in November 1924, with his floral shears still in his fist.

Not two years later, O'Bannon's successor, a hood named Earl (Hymie) Weiss, met his end just across the street, ambushed by a group of Capone's assassins hiding out in a nearby building. More than 50 bullets flew, riddling the cornerstone of the church.

The final stop for both O'Bannon and Weiss — and lots of other Chicago gangsters of the time — is



only a few blocks away, at 708 North Wells.

The vacant three-story building there used to be the Sbarbaro & Company Mortuary, the site of some of the city's most garish mob funerals.

**T**URN west on Chicago and head for the intersection with Milwaukee. At 805 Milwaukee is a four-story beige building that now belongs to D&L Office Furniture. In the 1930s, the second floor of the building housed a bowling alley and it was there, in February 1936, that Machine Gun Jack McGurn, for years one of Capone's most ruthless hit men, met an untimely end, felled in a hail of Tommy-gun bullets as he waited to roll a frame.

Head east and then north, to the 2100 block of North Clark Street, on what is now the city's fashionable Near North Side.

Look on the west side of the street for a well-tended, grassy lot, adjoining the south side of an apartment building for senior citizens. In the 1920s, this was the site of the S.M.C. Cartage Co., and the scene of Chicago's bloodiest gangland incident, the St. Valentine's

Day Massacre. Here, on Feb. 14, 1929, a group of Capone's hit men, masquerading as policemen, lined up six hoodlums and associates of Bugs Moran's rival gang and mowed them down with submachine guns.

The north wall, where the victims fell, is long gone, its bullet-scarred bricks sold off as souvenirs. But the south wall is still there, shared with the building next door. Notice the thin black tar line, which marked the roof of the old garage.

One of the most storied — and best preserved — gangster sites in the city is also on the North Side.

It was in an alley just south of the Biograph Theater, at 2433 North Lincoln, that the bank robber John Dillinger — Public Enemy Number One — was cut down by federal agents and police in July 1934.

He was betrayed by Anna Sage, the woman who wore red to tip off G-Men waiting in ambush, as she and Dillinger left the evening showing of "Manhattan Melodrama."

The Art Deco theater, which now shows first-run films, is a National Historic Landmark.

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**WALL STREET WATCH**

**'Junk-Bond' Funds Seem To Be Gaining Stability**

By Floyd Norris  
New York Times Service

**NEW YORK** — The flight from "junk-bond" funds seems to be slowing, some managers of mutual funds are saying, as industry figures show that about 9 percent of the assets in those funds was withdrawn in the four months through October. Indeed, October was the worst month ever for junk-bond funds, as \$1.2 billion poured out of them.

November, though, has been "pretty stable," said Fred Cavanaugh, manager of John Hancock High Income Trust. "It's pretty much a wash." The fund had net redemptions of about \$1 million last month, about 1 percent of assets and well below the industry average of 3.9 percent.

But while junk funds have suffered amid widespread publicity about defaults by some bond issuers, investors to stock funds seemed to shrug off Oct. 13, when the Dow Jones industrial average plunged 190 points. New sales of equity funds in October totaled \$5 billion, the highest monthly figure since the 1987 collapse, and managers said sales continued strong this month.

From July through October, \$3 billion poured out of junk-bond funds, which ended October with \$30.4 billion in assets. The figures, from Investment Company Institute, include sales and redemptions, as well as transfers between funds, but do not include dividends that are automatically reinvested.

The outflows were large, but they were smaller than had been forecast by some analysts. The hardest-hit funds were those that sell directly to investors, rather than through brokers, and in November, those funds generally saw improvements.

"There were very strong sales of high-income funds" in November, said Michael Hines, a vice president of Fidelity Investments.

**CASH CONTINUED** to leave the junk funds at T. Rowe Price, another direct marketer, but the rate so far in November is 63 percent lower than in October, said Steve Norwitz, a spokesman. "Apparently, the urge to redeem has dissipated in November," Mr. Norwitz added. "Maybe we've weathered the worst of it."

At Franklin Resources, whose funds are sold through brokers, "net cash flow was barely negative in November" in the junk fund, said Chuck Johnson, a vice president.

Another fund manager, Keystone Group, said junk-fund redemptions had declined. "We think — I say think — the worst is over," said Stephen Argente, a senior vice president.

While junk-bond funds had their worst monthly outflow ever, exceeding the 3.2 percent of assets withdrawn in October 1987, the overall picture for bond funds was brighter in October, as generally falling interest rates persuaded investors to move cash into fixed-income funds.

Debt funds other than junk funds had net inflows of \$1.6 billion in October, the most for any month since June 1987, with most of the cash going into municipal-bond funds. Fund managers said those inflows generally continued into November.

The equity picture was more clouded, with the enthusiasm of new investors almost offset by hesitancy among those who had previously put money into equity funds.

The \$5 billion in new investments in equity funds was well above the \$3.9 billion in redemptions. But fund switchers — investors who move cash from fund to fund within a single company, often hoping to time the market — took \$1.1 billion out of equity funds in the month.

The net result was a small net inflow of just \$5 million into equity funds in the month, down from \$583 million in September. The September figure was revised to reflect the start of a new \$1.1 billion fund in the month, Gabelli Value Fund.

While new investors have continued to pour in cash, equity fund managers have grown progressively more cautious. They sold more stocks than they bought in October, despite the small

See JUNK, Page 17

**New Atlantic Air Routes: Heat Is On**

By John H. Cushman Jr.  
New York Times Service

**WASHINGTON** — In talks that could intensify competition among European and American carriers and clear the way for trans-Atlantic travelers to fly directly to many new destinations, the United States is negotiating new treaties governing international airline service with its four biggest European trading partners.

If the talks succeed, American Airlines, as one example, might be able to offer new service from New York to Manchester, England, or from Chicago to Milan while Lufthansa, the West German airline, might offer flights to Detroit or Tampa, Florida.

In a tactic meant in part to speed the European talks, the United States has already proposed giving foreign airlines what it calls unprecedented access to American cities that do not have comprehensive international service, as a reward for loosening the restrictions in many bilateral agreements.

This offer is widely viewed as a sign that the U.S. government wants to foster economic growth and widen competition among airlines by encouraging more flights to more cities.

"What we should be doing is talking about how we open the market up," said Jeffrey Shaw, the Transportation Department's assistant secretary for policy and international affairs and previously the State Department's chief negotiator of international aviation agreements.

"What is different is the acknowledgment by the United

States of the larger economic value of international aviation."

In an interview, Mr. Shaw also said American attitudes were being affected by the plans for the economic integration of Western Europe to 1992.

"As the Europeans pull together, it is beginning to look to us like there may at last be a market overseas that is as large and as robust as our own," he said.

Negotiators in London began a new round of talks on modifying the U.S.-British treaty. Talks are also in progress or beginning soon with West Germany, Italy and France, as well as with many smaller nations in Europe and elsewhere.

Earlier this month, the United States signed a new agreement with Japan that should expand air service between the two Pacific powers by at least 30 percent.

International aviation, unlike trade in most other goods and services, remains tightly regulated under a series of bilateral agreements reached through talks in which each side seeks overseas business for its own airlines while limiting access to its domestic market. The talks involve routes, fares and limits on service between the countries.

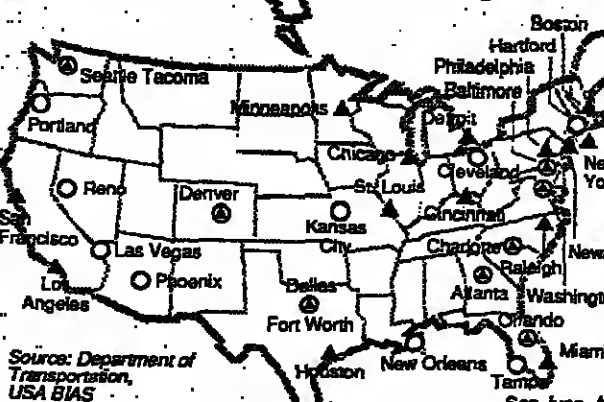
Representatives of a number of American cities have pleaded for the United States to liberalize access to their airports. A single daily flight from Europe, they say, translates into hundreds of millions of dollars spent each year at the American destination.

Europe is particularly attractive to U.S. carriers as well, because the elimination of trade barriers between nations of the European Community, scheduled for 1992, could form a single market as large as the United States, both in population and to the number of cities in which airlines could operate profitably.

Some U.S. carriers, such as American Airlines, are enthusiastic about the latest U.S. proposals, contending that they will offer more opportunity for airlines to expand overseas.

**Vying for European Flights**

U.S. cities with nonstop service to Europe under existing bilateral agreements in 1988.  
Cities belonging to an organization that is working for increased access for foreign access.



Source: Department of Transportation, USA BIAS

American wants to expand the service it offers from Chicago to Manchester and to inaugurate service from New York to Manchester and possibly London. American also wants to fly from Chicago to Milan and Rome, a request the Italians have been resisting, said Jim Brown, an American spokesman.

But other airlines, including Pan American World Airways and

See ATLANTIC, Page 16

**Bank of Japan Keeps Cap on Rates**

Reuters

**TOKYO** — The Bank of Japan is trying to stem increases in short-term interest rates by aggressively pumping funds into the money market, money traders said Thursday.

The central bank's move means that previous market expectations of a Japanese discount-rate rise before the end of the year have faded.

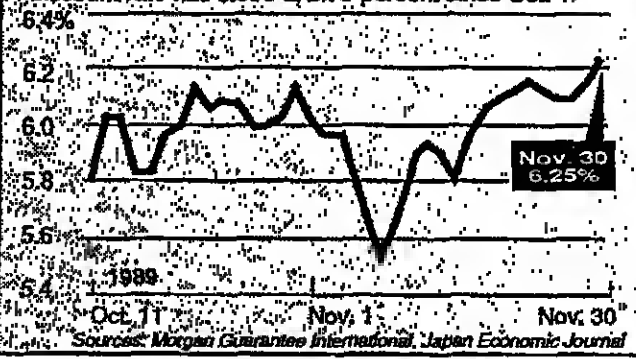
"The BOJ's accommodative stance suggests it's trying to completely wipe out remaining market concern about another discount-rate rise before the end of the year," said Hideyuki Tsujita, chief money dealer at Barclays Bank PLC.

The central bank has been unusually generous recently in helping offset seasonal pressure on money market rates, traders said.

The Bank of Japan governor, Satoshi Sumita, said at a news conference on Wednesday that the bank is still monitoring the effect of the last discount-rate rise, implying that it is not ready for another increase yet, traders said. The bank raised the rate to 3.75 percent from 3.25 percent on Oct. 11.

**Short-term Interest Rates**

Japanese overnight call money, in percent. Japan's discount rate has stood at 3.75 percent since Oct. 1.



On Thursday morning, the bank bought 300 billion yen (\$2.09 billion) in commercial paper, at 6.16 percent, against a market rate above 6.40 percent. The overnight unsecured call rate rose to 6.500 percent from 6.3125 percent on Wednesday, as

**U.S. Consumers Spent Slightly Less in October**

Compiled by Our Staff From Dispatches

**WASHINGTON** — U.S. consumer spending fell 0.2 percent in October, its largest decline in nearly three years, despite a 0.9 percent gain in incomes, the Commerce Department reported Thursday.

The drop in spending, reflecting plummeting auto sales, followed a 0.3 percent advance to September. Auto sales have continued to fall, suggesting continued sluggishness in spending this quarter.

Consumer spending accounts for about two-thirds of U.S. economic activity. The reports reinforced views that American economic growth is slowing.

As measured by the gross national product, the economy grew at a 2.7 percent rate in the third quarter, but analysts expect a sharp decline in the current three-month period.

Personal income to October totaled \$4.51 trillion at a seasonally adjusted annual rate, following a

**General Mills And Nestlé Set Europe Venture**

By Eban Shapiro  
New York Times Service

**CHICAGO** — General Mills Inc. and Nestlé SA announced Thursday that they will form a joint venture to develop a major breakfast-cereals business, initially in Europe, where they see the market quadrupling to \$6.5 billion in annual sales by the year 2000.

The Swiss and U.S. food giants, which will own the venture equally, said they had entered into a long-term mutual standstill agreement that prohibits either party from seeking control of the other.

Worldwide breakfast cereal sales outside North America and Europe have been growing at a particularly rapid rate from a small base, and they are projected to grow to several billion dollars in sales by 2000. The U.S. market currently is about \$6.5 billion a year.

Analysts said the joint venture gives General Mills the added muscle it needs to effectively compete with Kellogg Co. of the United States, which already has a major presence in Europe.

"It would have been very difficult for General Mills to make any inroads on its own," said Stephen M. Carnes, an analyst with Piper,

Jaffray & Hopwood Inc. in Minneapolis. "The real key to the food business these days is distribution."

Nestlé's marketing expertise and worldwide distribution system, combined with General Mills' cereals strength, is "a perfect marriage," said Mr. Carnes.

The Nestlé corporate name will appear across the entire product line, with General Mills or Nestlé brand names used to identify individual items.

Investors welcomed the tie-up, boosting both companies' stock prices. Nestlé's share rose 65 Swiss francs (\$41) a share on the Zurich bourse, to \$65 francs, while General Mills surged \$1.50, to close at \$74.625 on the New York Stock Exchange.

Mr. Carnes of Piper Jaffray estimated that General Mills' investment in the venture "will be in the tens of millions, not in the hundreds of millions."

R.C. Shinslad, a spokesman for General Mills to Minneapolis, described the tie-up as "a major strategic development for the company." He would not give details of its likely financial impact, but did say that the investment would result in some dilution in earnings for General Mills over the next several years.

The venture, which is limited to breakfast cereal, would have a positive earnings impact by the mid-1990s, he added.

Nestlé is the world's largest food company, with 1989 sales expected to total \$30 billion, Reuters reported. General Mills, with 25 percent of the \$6 billion-plus U.S. market for breakfast cereals, is the country's No. 2 cereal maker. Its cereals sales exceed \$1 billion a year.

For the financial year ended May 28, General Mills had sales of \$5.6 billion and earnings of \$414 million.

Kellogg has a U.S. market share close to 40 percent. In 1988, its European cereal sales accounted for 22 percent, or \$957 million, of Kellogg's total sales of \$4.3 billion.

Outside of Britain, the European appetite for cereals pales compared to demand in the United States. Britain has the world's largest per-capita consumption, at 15.4 pounds (6.9 kilograms) a year. The United States is fourth, with per capita consumption of nearly 10 pounds a year.

In France, by contrast, per capita consumption is just over one pound per year. In West Germany, it is two pounds.

**Caterpillar Stock Pays for Firm's Metamorphosis**

By Eric N. Berg  
New York Times Service

**PEORIA, Illinois** — Caterpillar Inc., the world's largest producer of heavy construction machinery, is learning the costs of international competitiveness are high: \$1.5 billion, good will on Wall Street, and a few dollars off its stock price.

Trying to fend off increasing competition from overseas rivals, led by Komatsu Ltd. of Japan, Caterpillar began a six-year modernization program in 1986.

With the \$1.5 billion plan, the company aims to reduce production costs by roughly one-fifth at 32 factories that make its bright-yellow bulldozers and other heavy equipment.

But recently, estimates of the cost of the program have been revised upward and the time required for it to pay off has lengthened.

In response, Wall Street analysts have scaled back their earnings estimates and Caterpillar's stock has dropped, closing at \$58.25 a share on Wednesday, well below its 52-week high of \$69.

"At this point, no one is challenging Caterpillar's initiative to become a world-class manufacturer," said Eli Lustgarten, the heavy-equipment analyst at PaineWebber Inc. "But we are finding out just how expensive that is to do."

George A. Schaefer, Caterpillar's chairman and chief executive, brushes aside such concerns of Wall Street analysts. "It doesn't bother us a bit because we are absolutely convinced of the payoff in the long term," he said.

"We have to play the long-term game because the competition is playing the long-term game."

Indeed, some industry veterans say Caterpillar's experience is a classic confrontation between Wall Street's often-criticized fixation with short-term profits versus the need for U.S. corporations to make long-term investments.

"Seeing an American company like this respond to global realities is pleasing," said Kirk Landers, editor of Construction Equipment, a trade journal. "So I sure hope Caterpillar is not pressured into producing short-term results."

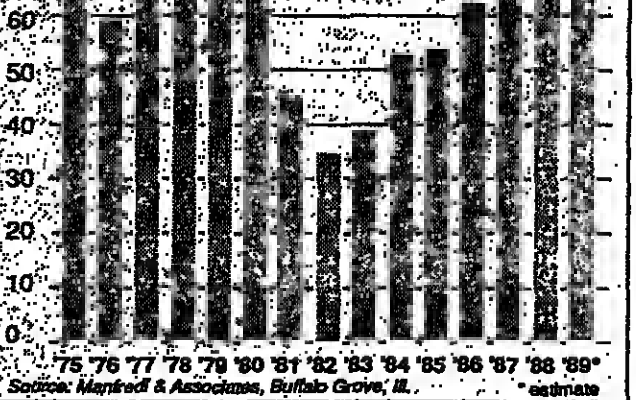
Yet the issue seems more complicated than a choice between profit today or competitiveness tomorrow.

Analysts do not criticize Caterpillar's strategy, but there are doubts about how successful the company will be in executing its plan.

And Caterpillar may face difficulties in the future, even if the cost-

**Earthmoving Equipment Sales**

U.S. sales of earthmoving equipment, in thousands of units.



Source: Marshall & Associates, Buffalo Grove, Ill.

cutting modernization program. Not only is the U.S. economy weakening, but a structural change in the demand for earthmoving equipment is under way.

Reduced demand from Middle East countries, debt-ridden Third World nations and a budget-minded U.S. government have trimmed the worldwide market for Caterpillar's bread-and-butter products: the mammoth earthmoving machines used in mining, road building and construction of dams, bridges and other large public works.

The action now is to smaller equipment, such as the backhoe loaders used by independent home builders. Caterpillar has added the smaller machines to its product line, but they are less profitable.

Besides, even if demand for the big machines picks up, the stiffer competition from foreign rivals means continuing pressure on profit margins.

"Most people whom you talk to in this industry say you will never see the same type of demand in terms of product mix and, therefore, in terms of profit," said Frank Manfredi, an industry consultant based in Buffalo Grove, Illinois, near Chicago.

"You might see the same level of revenues, but never the same level of profits."

The prospect of a permanently tougher market, company execu-

tives said, gives added urgency to Caterpillar's modernization program, known formally as the Plant With a Future project.

It includes installing flexible machine tools that can produce a variety of parts, not just for bulldozers but for excavators, off-highway

trucks and other earth-moving gear. New inventory systems also are being introduced to trim the cost of materials.

Machines that cut, bore and remove burrs from metal are being grouped so one worker can produce an entire part. And plant layouts are being revised to place related processes together.

The program is the survival strategy championed by Mr. Schaefer, a 61-year-old former accountant who has spent almost his entire career at Caterpillar.

He became chief executive in 1985, a year before the modernization drive began.

Caterpillar learned about the need for global competitiveness the hard way.

In the early 1980s, when the strong dollar made imports cheap for Americans, Komatsu and other foreign manufacturers grabbed footholds in the United States market and took sales from Caterpillar overseas as well.

In 1984, Caterpillar lost \$428 million on sales of \$6.6 billion.

Since then, the dollar has weakened and Caterpillar has been streamlined drastically, enabling it to recover.

Last year, the company reported earnings of \$616 million on revenue of \$10.4 billion.

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is hereby given that an extraordinary general meeting of shareholders will be held at the registered office at Luxembourg on Friday, December 2, 1989 at 11:00 a.m., in order to resolve about the following amendments to the Articles of Incorporation:

— Amendment of Article 2 of the Articles of Incorporation in order to delete the third and the fourth sentences so that this article will be read as follows:  
"The Corporation is established for a period of ten years from the date of the incorporation. The life of the Corporation may be extended successively, or the Corporation may be dissolved prior to the end of its life, by a resolution of the shareholders adopted in the manner required for amendment of these articles of incorporation. The Corporation may enter into commitments extending beyond its life."

The shareholders are advised that a quorum of one half of the shares outstanding is required for the holding of the meeting and resolutions may be passed by an affirmative vote of two-thirds of the shares present or represented at such meeting.

Proxy forms are available upon request at the registered office. In order to be valid, proxy forms duly completed must be received at the registered office on December 4, 1989 at 5:00 p.m. at the latest.

The Board of Directors

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**CURRENCY RATES**

Cross Rates	Nov. 30
Amsterdam	2.02
Bremen/Paris	37.85
Frankfurt	1.27
London (d)	1.59
Nilms	1.41
New York (d)	1.34
Paris	1.00
Tokyo	142.35
Zurich	1.98
1 ECU	1.39
1 SDR	1.27

Charges in London and Zurich, figures in other centers, New York dollar rates.  
a. Commercial rates; b. To buy one pound; c. To buy one dollar; d. Units of 100; N.A.; not quoted; N.A.; not available.

Other Dollar Values	Nov. 30
Armenia	155.00
Austria	1.27
Austrian sch.	13.59
Brazil cru.	1.22
Canada	1.14
Chinese yuan	7.22
Dutch guilder	6.82
East German mark	2.33
Finland mark	5.94
France	6.55
Germany	1.00
Greece	1.36
India	1.27
Indonesia	1.36
Italy	1.36
Japan	142.35
Korea	1.00
Malaysia	1.36
Mexico	1.36
Netherlands	1.36
Norway	1.36
Poland	1.36
Portugal	1.36
Romania	1.36
Soviet ruble	1.36
Spain	1.36
Sweden	1.36
Switzerland	1.36
Taiwan	1.36
Thailand	1.36
Turkey	1.36
U.S.	1.00
U.K.	1.00
Yugoslavia	1.36

New York rates unless marked (local rate).

Forward Rates	Nov. 30
1-month	1.36
3-month	1.36
6-month	1.36
1-year	1.36

Source: Reuters, Bank of Tokyo (Tokyo); IMF (SDR); Deutsche (dollar); Other data from Reuters and A.P.

**INTEREST RATES**

Eurocurrency Deposits	Nov. 30
1-month	8.50%
3-month	8.75%
6-month	9.00%
1-year	9.25%

Source: All Reuters except ECU: London Bank.

Rates applicable to interbank deposits of \$1 million (minimum for each bank).

Key Money Rates	Nov. 30
Discount rate	7.00%
Prime rate	10.00%
Federal funds	8.00%
Overnight	7.25%
1-month T-bill	7.25%
3-month T-bill	7.25%
6-month T-bill	7.25%
1-year T-bill	7.25%

Source: Federal Reserve Bank of New York.

Asian Dollar Deposits	Nov. 30
1-month	8.50%
3-month	8.75%
6-month	9.00%
1-year	9.25%

Source: Merrill Lynch, Pierce, Fenner & Smith.

U.S. Money Market Funds	Nov. 30
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## Paribas's Hostile Bid in Doubt, Big Mixte Holders Won't Sell

PARIS — Two major shareholders in Compagnie Navigation Mixte declared Thursday that they would not sell out to Compagnie Financière de Paribas, amid growing signs that the bank's hostile bid may fail.

The French bank Crédit Lyonnais, which owns 6.8 percent of Mixte, and the media-plant builder, Framatome SA, with 7.08 percent, said through spokesmen that they would not sell to Paribas.

The companies added that they were supporting the Mixte chairman, Marc Fournier, in his attempt to fight off the bid, which Paribas raised to 1,887 francs (\$310.70) per share this week, from 1,850.

The bid values Mixte, if all outstanding convertible bonds and options were exercised, at 26,111 francs, and is the second largest ever seen on the Paris Bourse. Mixte's interests range from insurance to foods.

Paribas's offer was to expire at 11 P.M. Thursday, though the results were not expected to be known for several days. Full details of how many shares are presented under the offer will not be known before mid-December.

However, latest figures from the French stock exchanges' association show that Paribas only holds

just over 22 percent of the target company's capital. Analysts estimated that it probably had about 25 percent by late Thursday.

The diversified merchant-banking concern said through a spokesman that it "remains confident its offer will be a success," though analysts are expressing growing doubts.

Paribas's stock price firmed once again, to 612, by the close of Bourse trading, after being weaker earlier in the day. Mixte was last traded unchanged, at 1,887 francs.

Paribas said that its board, at a scheduled meeting, affirmed its "full solidarity with and unanimous support for the policy set by the company chairman and the general management."

Analysts said Paribas's top management, including the chairman, Michel François-Poncet, has come under criticism in Paris banking circles for its handling of the takeover bid.

On Nov. 14, Mr. Fournier said board members had almost the majority of Mixte capital. When it launched its bid on Oct. 23, Paribas said it had 18.7 percent of Mixte. Reinforcing the message of solidarity, the Paribas statement added that its board "recalls that at all stages in the development and the execution of this operation the

chairman's proposals were adopted in their entirety."

In the same statement, Paribas said that its 1989 attributable net profit should exceed 3.40 billion francs, or 59 francs per share, well above 2.65 billion francs, or 49 francs per share, in 1988.

### Fougerolle Plans Buyout

The French construction concern Fougerolle announced Thursday that it planned to launch a management buyout in agreement with two of its major shareholders, one of which is Paribas, Reuters reported.

Paribas holds 39 percent of Fougerolle's stock, while Total-Compagnie Française des Pétroles has 10 percent. Both companies will sell their entire stakes in Fougerolle to a new financial holding company which will be controlled by Fougerolle management, the building concern said.

Paribas and Total will sell their stakes at 885 francs per share, which compares with their closing price Wednesday of 908 francs.

The utility and leisure concern, Compagnie Générale des Eaux, has a 33.2 percent holding in Fougerolle, but its name was not included in the statement. A Générale des Eaux spokeswoman declined all comment on the operation.

## RBS Earnings Fall 26% After Big Provisions

Reuters

LONDON — The Royal Bank of Scotland Group PLC said Thursday that pretax profit for the year ended Sept. 30 fell 26.2 percent because of sharply increased provisions against loans to Third World countries.

It said that earnings for the year fell to £228.3 million (\$357.6 million), from £309.2 million a year earlier. Provisions for Third World debt rose to £186.2 million. Two of the four major British retail banks, Lloyds and National Westminster, also raised their provisions for Third World debt earlier this month.

The bank said that pretax profit would have climbed 8.8 percent, to £336.5 million, if not for the £108.3 million in exceptional provisions to cover loans to nine countries that are rescheduling their debts.

After-tax profit dropped 24.0 percent, to £147.5 million from £194.1 million.

Meanwhile, the bank said in a statement, "During the coming years we intend to broaden our horizons by building on our existing international operations." It gave no details.

## Eurotunnel Savings Would Slow Trains

Agence France-Press

PARIS — Eurotunnel SA said Thursday it was prepared to slow the high-speed shuttle passage through the Channel Tunnel by as much as six minutes to reduce the tunnel's final construction costs, which are running 40 percent above the original estimate.

News in the British press that a £400 million (\$626.8 million) package of cost-cutting measures had been drawn up helped the consortium's stocks in London and Paris in trading Thursday.

Originally targeted at £5 billion, the project is now expected to cost £7 billion by its builders. But bankers said it would be £8 billion or more.

In London, the consortium's stock rose by 25 pence, to 550 pence, and it rose 2.05 francs (33.6 cents) in Paris, to 52 francs.

Slowing down the trains through the 31-mile (50-kilometer) tunnel would reduce electrical installation costs. But the time added to passage would be from five to six minutes.

Eurotunnel SA, which will manage the tunnel when it opens, said in a statement, "Indications are that a steady shuttle speed upwards of 120 kilometers per hour varying up to 160 kph need not make any important difference to the project."

There are already problems with the high-speed rail link between the

English coast and London, which is not due to be operational until five years or more after the tunnel opens in 1993. The consortium had aimed for a two-and-a-half hour Paris-London train ride, compared with the current fastest time of six hours.

France's state-owned national railroad, the SNCF, which is pushing its high-speed line from Paris to the tunnel, has pressured British Rail and the British government to rescue the original high-speed link from the coast to London.

But Margaret Thatcher's Conservative government insists that the project, which it encouraged, must be built without British government funds.

The building consortium Trans-Manche Link has been involved in a dispute with Eurotunnel SA over rising costs of the project, and the two sides need to reach agreement swiftly to prevent the freezing of a £5 billion line of credit with banks financing the project.

## Investor's Europe

Frankfurt Commerzbank	London F.T. 100 Index	Paris C.A.C. 40
720	2600	2000
700	2500	1900
680	2400	1800
660	2300	1700
640	2200	1600
620	2100	1500
600	2000	1400
580	1900	1300
560	1800	1200
540	1700	1100
520	1600	1000
500	1500	900
480	1400	800
460	1300	700
440	1200	600
420	1100	500
400	1000	400
380	900	300
360	800	200
340	700	100
320	600	0
300	500	0
280	400	0
260	300	0
240	200	0
220	100	0
200	0	0
180	0	0
160	0	0
140	0	0
120	0	0
100	0	0
80	0	0
60	0	0
40	0	0
20	0	0
0	0	0

Source: Datasystem, AFP International Herald Tribune

## Morgan's LBO Asset: A Businessman

By Steven Mufson

Washington Post Service

NEW YORK — For 16 years, Donald P. Brennan was a company man. Step by step, the former naval architect climbed the corporate ladder through International Paper Co.'s manufacturing divisions until he reached the rarefied altitude of vice chairman.

In 1982, at age 42, he quit.

International Paper had named a new chairman only 10 years older than Mr. Brennan. There was nothing left for Mr. Brennan to do at the company except bide his time. "I wanted to do my own thing, but I wasn't sure what that was," he recalled.

So Mr. Brennan joined the investment banking firm Morgan Stanley & Co. The risk-taking, wheeling-and-dealing atmosphere of an investment bank could not have been more different from the cautious, plodding course of a major manufacturing company such as International Paper.

Yet the marriage of Mr. Brennan's nuts-and-bolts manufacturing experience with Morgan's financial muscle has been a happy one. Thanks to Morgan's busy leveraged-buyout business, Mr. Brennan now runs a portfolio that controls more than 40 companies, with assets of \$25 billion — far bigger than International Paper.

In a leveraged buyout, a group of investors borrows the money needed to purchase a controlling interest in a company, repaying the loans with cash generated from the company's operations or through sales of its assets.

Mr. Brennan himself is no longer someone's deputy, but is the chairman of "12 or 13" holding companies, overseeing concerns that range from the Seattle Mariners baseball team to a maker of disposable diapers.

While personally rewarding for Mr. Brennan, the arrangement has proven lucrative for Morgan Stanley as well. Morgan has the highest rate of return of any investment bank, roughly 30 percent. About half the firm's profit this year will come from leveraged buyout activities.

By refinancing just four of its companies, Morgan Stanley itself will earn more than \$250 million in dividends and still own the concerns. Thanks in part to Mr. Brennan, the firm has not run into costly troubles by putting its own capital into failing buyouts while other financial houses have.

Mr. Brennan is one of a handful of business executives who abandoned the corporate nest to strike out in the world of investment banking and buyouts. Others are James Birtle, who left a career at General Electric Co. to become a partner at the Blackstone Group, and Martin H. Dubilier, a one-time ITT Corp. executive and ex-chairman of Stenderman Corp. who cofounded the buyout firm of Clayton & Dubilier.

But Mr. Brennan is less part of a trend among executives than he is symptomatic of how leveraged buyouts have changed the nature of Wall Street. Instead of reshuffling balance sheets, investment bankers actually have to know something about the mechanics of running a company, blurring the traditional divide between careers in manufacturing and finance.

Not long ago, people at the big securities houses laughed at Mr. Brennan's type as slow-witted. Now, said one Morgan associate, "some people would like to look down on him, but they can hardly do it when he is making so much money for the firm."

Within the firm, he has become a "somewhat threatening power" in the view of other ambitious Morgan partners, while remaining, in the words of a Morgan associate, "more of a team-type player and less of an egocentric wreck."

People like Mr. Brennan, with the skills to operate businesses, are more valuable than ever as investment banks stumble into larger roles at troubled leveraged buyouts.

Investment banks that once simply arranged financing for companies are winding up as equity partners with their own money at stake. Even customers like junk bond and buyout investors are becoming fussier about risks and are searching for investment bankers who can go out and "kick the tires" of the companies they buy.

Mr. Brennan falls into that category. Trained as a naval architect, Mr. Brennan joined the Navy. In the early 1960s, he served on a destroyer in the North Atlantic and on the task force that stopped a Russian freighter loaded with missiles during the blockade of Cuba.

After six years, he went to work at Corning Glass Works, which was then trying to enter the deep sea "hydro-space" business. Because glass does not rust, Corning thought it had an advantage in the race to build an underwater vessel.

In what Mr. Brennan calls "one of the weirdest experiences of my life," he helped Corning construct a glass submarine. "Glass is perfectly elastic and won't fall under pressure. If you cast it in a perfect sphere, you could put it at the bottom of the ocean. There was just the little problem of how to get someone inside."

The Navy actually built a sub with three glass spheres and titanium hinges and put it down to 36,000 feet (11,000 meters) before abandoning the project.

Mr. Brennan then started his climb through the ranks of International Paper, the sort of slow advance that many young Morgan Stanley associates disdain. Nor did Mr. Brennan make the kind of money young Wall Street professionals do. When he left International Paper, he worried about how to support six children, the oldest of whom was about to start college.



Heinrich Soltau/The Washington Post

Instead of reshuffling balance sheets, investment bankers actually have to know something about the mechanics of running a company, blurring the divide between manufacturing and finance.

"I had been office rich, but I was cash poor," he said. He wanted to run his own business but, he said, "I had no clue about how to raise money. At International Paper, if I needed half a million dollars for the business I called the corporate treasurer and said, 'Write me a check.'"

Ignorant of finance, he joined a house of finance. "It had what I didn't have — access to capital — but it didn't have much experience investing outside the securities business," Mr. Brennan said. He arrived just when Morgan was embarking on its leveraged buyout business, now the largest after Kohlberg, Kravis, Roberts & Co.

Between 1983 and mid-1987, Morgan invested in 20 leveraged transactions with a total value of \$3.8 billion. While LBOs helped lead to the dismantling of conglomerates, Morgan and other investment banks in the middle of the deals effectively became conglomerates themselves, with control of a variety of businesses.

The companies Morgan's buyout fund has acquired mostly reflect Mr. Brennan's experience in "process-type companies." They include Cain Chemical Inc., Container Corp. of America, Colt Industries Inc. and Burlington Industries Inc.

While similar to International Paper in their types of business, the companies run by Mr. Brennan, Morgan Stanley and their managers are subject to different performance standards, he said. Mr.

Brennan said that International Paper, "like all other public companies, is captive of short-term public stockholders, when as a natural resource company it had to take a long-term view because of the nature of its resource — trees."

By contrast, Morgan Stanley does not even calculate earnings per share at its companies, Mr. Brennan said. It focuses on cash flow. Every month, Mr. Brennan receives statements with identical formats from the different companies in his portfolio.

It has been a huge departure for Mr. Brennan. "I moved up very fast at International Paper, but every step from manager to executive vice president was very predictable," he said. "In the week between Christmas and New Year's, I could fill in my diary for the next 12 months: union negotiations, board meetings, budgets."

Work at Morgan Stanley goes in fits and starts. "This is event-oriented. It kind of turns me on. In the last five years, my knowledge of business is orders of magnitude greater than it was after 15 years with IP."

It has been a huge departure for investment banks. Morgan's buyouts are mostly healthy and meeting their obligations, but at other investment banks like First Boston, profits can be severely dented by setbacks in one area considered tangential to the principal business.

### Connaught Bids Extended

Agence France-Press

BASEL, Switzerland — Ciba-Geigy AG, the drug giant, and Institut Merieux SA, a vaccine maker, said Thursday that they were extending their rival bids for the Canadian vaccine maker Connaught Biopharmaceuticals Inc. for two weeks. Ciba-Geigy has bid 764 million Canadian dollars (\$653 million), while Merieux has offered 942 million dollars.

## Nissan Motor Plans Major Design Operations in Europe

Reuters

LONDON — Nissan Motor Co., Japan's second-largest automaker, has announced plans to woo European customers with cars designed at two new high-tech centers in Britain and built at its existing plants in northern England and Spain.

"The investment and the recruitment of many local engineers will enable us to design and develop vehicles that are specifically suited

to the tastes and requirements of European customers," said Hitoshi Uemura, managing director of Nissan European Technology Center.

He said in a statement on Wednesday that Nissan would invest £31 million (\$48.6 million) in the two design facilities in Britain for Nissan Technology Center Ltd., creating more than 350 jobs.

Mr. Uemura said the move illustrated Nissan Motor's plans to establish fully integrated operations in Europe, from vehicle design and

development to manufacturing, sales and service.

Earlier this year, the company set up Nissan Europe NV in Amsterdam, integrating its sales, marketing and service activities on the continent.

John Lawson, analyst at Nomura Research Institute Europe Ltd., said Nissan was seeking a better image in Europe to fend off local criticism that Japanese automakers were operating only assembly

plants and were reluctant to transfer high technology from Japan.

Local companies needed to be involved at the design stage and to become significant suppliers, he added.

Nissan fought a long battle with the European Community's motor industry to gain local-origin status for Bluebird cars made in Britain. This was finally agreed last April based on the cars' high local component content of 70 percent.



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No voluminous data and statistics are included in this diary, but on the other hand a removable address book saves hours of re-copying from year to year. Diary measures 22 x 15 cm (8.5 x 6 in.), fits easily into the slimmest attaché case, and has gilt-metal corners, gold page-edges and French blue paper. Personalized with gilt initials on the cover, it's a marvelous gift for friends, business contacts and associates. (Note that quantity discounts are available.) Please allow 30 days for delivery.

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## S&P Downgrades Drexel's Paper

By Kurt Eichenwald

New York Times Service

NEW YORK — Responding to the weakening financial position of Drexel Burnham Lambert Inc., Standard & Poor's Corp. has downgraded the firm's commercial paper.

The change comes at a difficult time for Drexel, which is struggling to recover from losses in revenues and talent that it has experienced over the last year. But executives of the firm contend that the change will have no significant impact.

The commercial paper was downgraded Wednesday to A-3 from A-2, but that has no direct impact on the firm's activities in the high-yield junk-bond market.

Some on Wall Street fear, however, that the move could send further jitters through that market because of Drexel's pre-eminent position in it.

Indeed, in downgrading the short-term debt, S&P noted the firm's weak operating performance and "vulnerability to adverse junk-bond market conditions."

revenue from its junk-bond activities.

It added, however, that the risks of the firm's business were partly mitigated by the efforts of Drexel to reduce its fixed costs, as well as by a commitment from management to strengthen capital levels by about \$150 million by the end of this year.

Drexel is expected to obtain the additional capital from the Belgian holding company, Groupe Bruxelles Lambert, which is its largest shareholder. It is also expected to obtain capital from the firm's employees, who are the second-largest shareholder group.

A lower rating on commercial paper is significant because it would force Drexel to pay higher rates on short-term borrowings. Also, some money market funds would be unable to buy the paper because of the lower rating.

The move by S&P marks the first time that Drexel has had a downgrade in any of its debt, a company spokesman said.

He added that the firm did not believe that the change would have a significant impact on the firm's

cost of money because commercial paper represents less than 2 percent of the concern's total financing.

Drexel has been under severe pressure in recent months. In September, the company pleaded guilty to six criminal violations of U.S. securities laws in a settlement of a three-year government investigation.

As part of the original settlement, the firm agreed to dismiss Michael R. Milken, the head of its junk-bond division, who almost single-handedly transformed Drexel from a third-tier player into a Wall Street powerhouse.

At about the same time, severe difficulties began in the junk-bond market with the disclosure that a number of large issuers of the bonds, including the Campeau Corp., would default.

Since then, the junk market has been struggling to recover.

People close to Drexel have said that it has experienced losses in the tens of millions of dollars in some recent months.

Moreover, the firm is holding a large inventory of junk bonds,

## JUNK: More Stability

(Continued from first finance page)

net cash inflow, and cash reserves at equity funds rose to \$25.2 billion.

That was 10.6 percent of assets, up from 10.2 percent in September and the highest percentage since September 1988.

Among bond-fund managers, bullishness appears to be growing. As the money poured in from investors, those managers invested all of it and a little more.

Overall cash reserves at bond funds came to just 7 percent of assets at the end of October, down from 7.6 percent in September and the lowest level since August 1987.

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### Thursday's Prices

[illegible][illegible][illegible]

12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

[illegible]

The day she stood him up,  
he was really loaded for bear.

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SLANG**  
and  
COLLOQUIAL EXPRESSIONS  
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to the Everyday Expressions

All the schmo's whereabouts  
disappeared in one fell swoop.

The chairman went bananas  
when the board wouldn't follow suit.

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IDIOMS  
Dictionary**  
Richard A. Spears  
to the Everyday Expressions

I decided not to cop out  
and got a mouthpiece instead.

The con artists took the old man  
to the cleaners.

Stop putting me on,  
I wanna talk turkey.

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Finland	F M	1,760	1,394	970
France	F F	1,500	1,250	890
Germany (mail)	D M	580	403	320
1/ hand delivery	D M	735	103	319
Greece	£	140	97	77
hand delivery in Athens	D r	33,600	21,500	16,000
Ireland	£ Ir	155	135	25
Italy	Lire	420,000	308,000	231,000
Luxembourg	L Fr	11,000	7,200	5,000
Netherlands	fl	600	492	340
Norway (airmail)	N Kr	2,000	1,276	1,100
2/ hand delivery	N Kr	2,500	776	1,400
Portugal	Esc	29,000	29,240	16,000
Spain (mail)	Ptas	32,000	22,600	17,800
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A collage of the letters 'PLC' in various fonts and sizes. At the top, there's a small 'PLC' in a serif font, a 'PLC' in a cursive script, and a large 'PLC' in a tall, thin sans-serif font. In the center, 'PLC' is written in a bold, italicized sans-serif font, with 'Public Limited Company' in a smaller, standard sans-serif font directly below it. At the bottom, there's a very large, bold 'PLC' in a sans-serif font, with a partial 'PLC' visible on the left edge. The background is a light gray with a fine, dotted texture.

## Germany's business week

Index 405 026 record

هكذا في الأصل

## Germany's business weekly



## Official Says China Won't Lower Yuan

BEIJING — China does not plan to devalue its currency, despite tighter foreign exchange controls that quietly went into effect a month ago, an official was quoted on Thursday as saying.

The exchange measures were necessary to curb "unauthorized and unlawful buying and selling of foreign exchange in China," a spokesman for the State Administration of Exchange Control was quoted in major newspapers as saying. He was not further identified.

But the measures do not mean China will abolish its two-track currency system or devalue the yuan, he said. The yuan has been pegged at around 3.72 to the U.S. dollar since 1986.

The regulations heightened speculation in banking and diplomatic circles that China would go ahead with a long-anticipated devaluation of the yuan, which had been devalued by an effective 60 percent from 1980 to 1986.

China since 1980 has used two currencies, the yuan and convertible foreign exchange certificates. The FECs are issued mainly to foreigners and Hong Kong residents.

Both are supposed to have equal value, but FECs are worth about 50 percent more on the black market. Chinese covet FECs, which they can use to buy foreign goods or hard currencies. Foreigners trade them for black-market yuan to effectively slash the cost of Chinese goods and services during their stays.

Under rules that took effect without formal announcement on Oct. 30, foreigners and Hong Kong residents leaving China can buy back no more than half the overseas money they converted into FECs.

## China Inflation Fell in October

BEIJING — China said Thursday that its inflation rate in October fell to the lowest level since the first quarter of 1988 because of austerity.

The Economic Daily quoted the State Statistical Bureau as reporting that the retail price index in October rose 8.7 percent from October 1988, the first month this year it has risen less than 10 percent.

The austerity program, begun in September 1988, has cut inflation but has also led to factory closings.

## New Zealand Revises Trade Into a Deficit

WELLINGTON — New Zealand's current-account balance for the first quarter of 1989 has been revised from a large surplus to a slightly larger deficit, the government said Thursday, creating what the opposition called a "farcical situation."

There was a deficit of \$22 million New Zealand dollars (\$307.5 million) for the quarter after the revision, said the government statistician, Steve Kuzmich. When first announced, the figure was given as a 500 million dollar surplus.

The opposition National Party's finance spokeswoman, Ruth Richardson, said the latest revision would further damage New Zealand's reputation overseas, already harmed by the collapse last month of the investment bank DFC New Zealand.

"To international investors, this farcical situation reinforces the 'don't trust' message they have been giving to Cayill and New Zealand companies since the collapse of DFC," she said. David Cayill is New Zealand's finance minister.

Mr. Kuzmich said extensive revisions to the current-account figures had followed the preliminary release, explaining that the initial figure is based on a survey of expenditure and income and is hardened up as real figures become available.

He added that he realized revisions to the figures had led to uncertainty and said that the method of calculation would be improved next year.

Stephen Toplis, an economist at Westpac Banking Corp., said the poor figures had long been expected. "As any economy recovers, import growth starts to be faster than export growth, certainly in the initial stages of any recovery," he said.

Many of the imports were of new equipment, which would boost New Zealand's exports and profits. He added, "I think it's dangerous if people start swinging around on the basis of the latest figures without considering the underlying shape of the economy."

## China Takes a New Role In Hong Kong Aviation

By Daniela Deane  
International Herald Tribune  
HONG KONG — The growing involvement of China in Hong Kong's expanding airline industry is likely to change the face of commercial aviation in the region as the mainland's takeover of the territory approaches, analysts say.

"China is definitely moving into the aviation scene here," said John Mulcahy, head of research at the Peregrine brokerage. "It's an attempt by China to coordinate the aviation industry, to influence the direction of aviation in Hong Kong."

The state-owned China International Trust & Investment Corp. announced Wednesday that it was negotiating to buy shares in Hong Kong's No. 2 airline, Dragonair.

Analysts predicted CITIC would buy most of the 37.8 percent stake in Dragonair held by Hong Kong financier Sir Y.K. Pao to the family of textile businessman Chao Kuang-pin.

CITIC already owns a 12.5 stake in Cathay Pacific Airways, Hong Kong's flag carrier.

Civil aviation analysts said China's moves reflect a recognition that buying into the existing Hong Kong airlines is better than trying to move its own fledgling flag carrier, CAAC, into the Hong Kong market after China resumes sovereignty over the territory.

"CAAC has long wanted to operate long-haul flights, particularly to Europe, out of Hong Kong," said Simon Walker, an aviation analyst. "I'm sure they'll forget about that now. CAAC will be China's domestic airline. And Cathay and Dragonair will operate out of Hong Kong."

Relations between the two Hong Kong airlines have been antagonistic. But Mr. Walker said, "CITIC could become a sort of white knight, a mediating force between Dragonair and Cathay Pacific."

**Fiji Expects Surplus In Trade for 1990**

SUVA, Fiji — Fiji, announcing its 1990 budget, said Thursday it expected a small current-account surplus and a larger sugar crop.

Finance Minister Josevata Kamikamica said the 1990 budget deficit would be 61.3 million Fijian dollars (\$40 million).

## Bell Shares Hit by Fears Over Deal

SYDNEY — Stock in Bell Resources Ltd., a subsidiary of the embattled Bond Corp., fell Thursday to a record low of 50 Australian cents (39 U.S. cents) as doubts about the viability of a brewing deal with Lion Nathan Ltd. intensified, brokers said.

The stock fell 16 cents from Wednesday's close of 66 cents, on volume of 800,000 shares. Bond Corp. stock fell two cents to 26.

It was "in their right minds wouldn't have touched" Bond-related shares "for months now," said a broker. He said Bell's fall followed expectations that a plan to sell Bond's Australian brewing assets would have little chance of success.

Bond Corp. and Lion Nathan on Monday said they had again delayed finalizing their brewing deal, this time until Dec. 8, and might amend it.

The deal, announced in September, involves Bond bidding 1.60 dollars per share for 42 percent of Bell it does not own. Bell would then buy Bond's brewing assets for 2.5 billion dollars and place them in a joint venture with Lion Nathan.

It is very doubtful that Bell's minority shareholders would ever receive the mooted 1.60 dollar-per-share offer, a broker said.

Another broker defended Bond Corp. Chairman Alan Bond, saying, "If he can keep his head above water and bring about asset sales, he can still go on."

Reports suggested that Bond's major bankers plan to set a timetable to speed up asset sales and debt-reduction plans. There were also reports the West Australian state insurance commission has an indemnity agreement, that could cost Bond Corp. up to 146 million dollars, covering its 19.6 percent stake in The Bell Group.

While refusing pressure in the Senate for partial repudiation of the debt, Mrs. Aquino has urged Western governments to give more help in reducing the Philippines' debt burden, which absorbs about 30 percent of export receipts.

The Philippines has cut its debt by about 51 billion. According to latest central bank data, the debt fell to \$27.16 billion at the end of 1988, compared with \$28.25 billion in 1987.

The Philippines has rescheduled debt to foreign government credi-

## Manila Weighs Options For Easing Debt Burden

MANILA — The Philippines steadily trimming its foreign debt through a combination of debt buy-backs, swaps and rescheduling is planning further measures to ease its borrowing burden, central bank officials said Thursday.

The central bank governor, José Fernandez, said, "What kind of debt reduction, whether it be a bond swap, whether it be a buy-back" remained to be worked out. He added that it could be in the form of a debt-service reduction.

"The arithmetic will be the demanding and the guiding principle," he said.

Mr. Fernandez said the government had about \$900 million "technically available" to it from the International Monetary Fund, the World Bank and Japan's Export-Import Bank. These funds could be used for further debt and debt service reduction, he added.

He announced that Manila was accepting tenders from 140 foreign commercial banks to buy back \$1.31 billion of debt at a 50 percent discount. He added that the plan would cut public commercial debt by 20 percent, to \$5.3 billion from \$6.6 billion.

President Corason C. Aquino has said that the country's \$27 billion debt is the biggest single drain on development resources.

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The Philippines has rescheduled debt to foreign government credi-

tors three times in the past five years. In May, it rescheduled \$2.2 billion of debt that falls due between June 1989 and June 1992, agreeing to repay over 10 years with a six-year grace period.

The Philippines has also attempted to reduce its debt with debt-for-equity swaps, but the central bank is reviewing that program because of its inflationary impact, officials said.

According to figures agreed with the IMF, the government projects foreign debt will grow to \$30 billion at the end of 1990 and \$35.8 billion by the end of 1995.

But debt as a percentage of gross national product is forecast to drop to 64 percent in 1990 and 45 percent in 1995, from 65 percent in 1989.

The buy-back proposal was part of an offer to the Philippines' commercial creditors to either put up new money or exit from lending to the Philippines through the buy-back at a discount of 50 percent.

The request for new borrowing has fallen short of target. Manila originally wanted \$1 billion from the banks to help cover a financing gap estimated at \$1.4 billion for calendar years 1989 and 1990, but Finance Secretary Vicente R. Jayme said it may only get \$750 million.

But Manila has not been too worried by the shortfall because it has access to a wide variety of creditors, officials said.

An agreement with the IMF in March for a \$1.17 billion three-year facility cleared the way for the rescheduling with government creditors, known as the Paris Club, and an accord with commercial creditors.

The United States, Japan and other donors also proposed a \$3.5 billion aid package for the Philippines in July.

## Opening Soon: Japan's Trust Club

TOKYO — One of Japan's most exclusive financial clubs, investment-trust management, is at last on the point of admitting foreign members, officials at foreign investment trusts said Thursday.

A ministry official said the technical points are still being ironed out, but that a fundamental structure is completed that would govern foreign participation.

Japanese trusts are similar to U.S. mutual funds, giving investors access to large, managed portfolios. As many as a dozen non-Japanese firms are interested in the business and about half that number are near to qualifying under the guidelines, officials at the foreign firms estimated. Chief among the

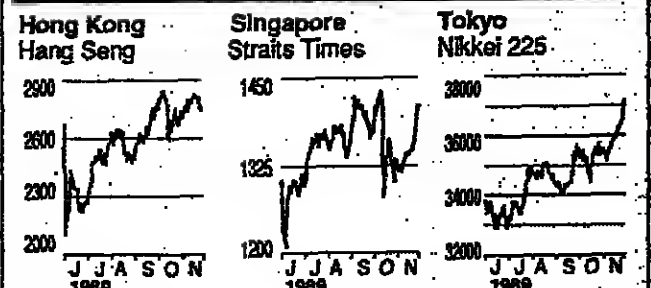
qualifications is a requirement that foreign advisory firms be predominantly owned by a non-Japanese mutual-fund advisory company.

The ministry will also judge foreign firms on the basis of how successful they are likely to be in Japan, as well as how well they have done in previous public offerings here.

Officials who had been trying to win entry said they were satisfied with the guidelines.

Japan's investment-trust management market is now roughly the same size as the U.S. market, with about 60 trillion yen (\$418.3 billion) under management.

## Investor's Asia



Exchange	Index	Thurs. Close	Prev. Close	% Change
Hong Kong	Hang Seng	2748.35	2751.48	-0.11
Singapore	Straits Times	1411.28	1410.19	+0.08
Sydney	All Ordinaries	1611.60	1608.10	+0.22
Tokyo	Nikkei 225	37268.78	37021.46	+0.67
Kuala Lumpur	Composite	509.52	508.62	+0.18
Bangkok	Book Club	675.65	677.40	-0.26
Seoul	Composite Stock	906.33	898.00	+0.93
Taipei	Weighted Price	9402.56	9380.28	-2.36
Manila	Composite	Closed	1317.86	
New Zealand	Berdays	2084.67	2071.93	-0.35
Bombay	National Index	370.44	371.72	-0.34

Sources: Datastream, Reuters, AFP

## Bangladesh Economy Faces New Challenges

DHAKA, Bangladesh — President Hussain Mohammed Ershad is facing both political and economic challenges to his eight-year hold on power, with the opposition seeking new elections and foreign lenders saying they may slow the flow of funds.

[A nationwide general strike calling for elections and the resignation of General Ershad gripped Dhaka for a second day Thursday and spread to other major cities, Agence France-Press reported.]

Since General Ershad took power in 1981, the economy has been severely strained by a series of natural disasters, including floods and cyclones that killed about 5,000 people and destroyed 6 million tons of grain in the last 18 months.

The opposition, meanwhile, has grown impatient with the pace of change and unfulfilled government pledges to increase farm output and expand industrialization.

Added to this are warnings from the World Bank that the level of loans to Bangladesh could fall if the government does not use the funds more effectively.

Bangladesh's external debt is about \$9.5 billion. But nearly \$3 billion of funds given to the country in recent years by the World Bank and Western donors are still in the pipeline because Dhaka has been

unable to produce matching funds. Bangladesh receives about \$2 billion in foreign aid commitment each year from foreign government creditors. About 85 percent of the budget is dependent on foreign aid.

Mr. van Gigh said foreign aid donors were concerned about the slow mobilization of internal resources. He attributed this to a sharp increase in wages for government employees, some of whom have received 60 percent raises.

## Papuan Mine To Stay Ready

AGENCE FRANCE-PRESS

PORT MORESBY, Papua New Guinea — Bougainville Copper Ltd. said Thursday it would not open up its Panguna mine, which was shut in May following attacks on a "motel" basis.

The company said that the board had decided that "moving the mine to a care and maintenance basis immediately is not warranted."

Panguna was shut after attacks by landowners demanding compensation.

## AMEX

Thursday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High Low Yld PE Ratio Dividend

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## SPORTS

## NBA's Mullin: 'Doing Good Things' in California

By Dave Anderson

New York Times Service

OAKLAND, California — He still talks like a Noo Yawker and he still looks like one. Instead of a California tan, his skin is as white as the towels in the St. John's University locker room.

During Chris Mullin's first few seasons with the Golden State Warriors of the National Basketball Association, he could not wait to be traded to the Noo Yaw Knicks. Every so often the Knicks talked to his attorney, Bill Pollak, about taking him to the team's salary cap. But the deal was never completed.

"It was definitely a dream of mine," the Warriors' 6-foot-7 (two-meter) forward was saying now. "I thought about it often. It would've been nice. But now it's better that I stay here."

"It's easier for me to keep myself straight. There's less distractions here. I've got a small network of friends here who help support me. Some went through the same thing I did."

For Chris Mullin, that "same thing" was drinking too many beers. Two years ago he checked himself into a Los Angeles alcohol rehab center. He rejoined the Warriors six weeks later and finished that season with a 20.2 point-per-game average.

He raised it to 26.5 last season. Before Wednesday night's game with the Knicks, which the Warriors lost, 129-111, his 27.8 average was third among NBA scorers behind Michael Jordan and Karl Malone.

"I know I'm doing good things for myself now, things I'd always done that I'd gotten away from," he explained. "I'm a much better conditioned athlete. And if I get a good look at the hoop, I'm going to get my points."

Those points, of course, resulted from Mullin getting a good look at himself in the mirror two years ago. Because of his success, some people have all but forgotten what happened to Mullin then. But he hasn't forgotten.

"When Dexter Manley was in the headlines, I felt for him," he said, referring to

the Washington Redskins' defensive end who was recently suspended by the National Football League for having violated its substance abuse policy by using cocaine.

"Some people will wonder how can he be so stupid. That's not it. He needs help. But whenever I read about a guy like that, it keeps me on my toes."

To some NBA scouts, even when Mullin was voted the Wooden Award in 1985 at St. John's, he was always on his toes but never much higher. For all his skill as a shooter, the rap on Mullin was that he couldn't jump, that he wasn't fast.

"Everybody has strengths and weaknesses, the idea is to have more strengths than weaknesses," he said. "I know I'm not the fastest player but I'm not the slowest, either. I don't jump that high but I get my rebounds."

"I was taught well when I was a kid. I know that some nights you shoot the open jumper, some nights you take it to the hole, some nights you pass it."

What some scouts didn't realize was that Chris Mullin knows how to play basketball. But he is the first to admit that two years ago, he did not know how to live his life.

"The months and years I was drinking, I had a bunch of bad days," he was saying now, sitting near court-side in the Oakland Coliseum after a morning workout.

"The day I went into the hospital was the worst. I felt I had failed. I felt I had let a lot of people down. But looking back, that day I went into the hospital was also the best day."

He has not done it alone. He credits the Warriors' coach, Don Nelson, for helping him. And his girlfriend, Liz Connolly, has moved to the Bay Area.

"Liz was with me through all the ops and down," he said. "Now she's got a job out here. Just having her around makes it a lot better."

In his fifth season, Mullin has a new nine-year contract worth about \$25 million. For all the fuss about Ricky Henderson's four-year \$12 million contract as the Oakland Athletics' leadoff left fielder, Mullin will earn more than twice that as the Oakland area's athlete with the most lucrative contract.

But coming off a 43-39 fourth-place finish in the Pacific Division, the Warriors have been floundering in last place this season.

"We've only had one good game when we were really moving the ball," he said. "When you struggle, sometimes you compound the problem by trying too hard. No excuses, but we've got some new people."

One of those new people is Sarunas Marciulionis, the 6-5 shooting guard from the Soviet Union who scored 28 points in the Soviet Union's victory over the United States at the Seoul Olympics.

"I call him Runny, he's really a nice guy, a very warm guy," Mullin said. "He comes over to the house and we talk about how to get a shot off, about guys on other teams that he's got to cover."



Chris Mullin, back in form, has not forgotten where he's been.

## U.S. Embassy in Bern Denies Comaneci Link

The Associated Press

BUDAPEST — Nadia Comaneci, the Olympic gymnastics champion who disappeared from her native Romania in an apparent defection, may be at the U.S. Embassy in Switzerland, her former coach said Thursday.

Embassy officials, however, denied that she was there, adding another twist to the mystery surrounding the 1976 Olympic champion, who crossed the border into Hungary in the pre-dawn hours Tuesday.

"As far as I know, she is probably in the U.S. Embassy in Bern," Bela Karolyi said in a telephone interview from Stuttgart, where he is coaching a U.S. women's gymnastics team.

"She is waiting to get some travel papers," said Karolyi, who defected to the United States in 1981 and became a citizen in May.

Michael Korff, a U.S. Embassy spokesman in Bern, said: "We can categorically deny that she is at the U.S. Embassy waiting for her travel papers. We talked to everybody at the em-

bassy. She isn't here. She wasn't here."

A Swiss Justice Ministry spokesman, Jörg Kistler, said: "We have had absolutely no hints whatsoever that she has been in Switzerland."

Asked about the possibility of a reunion with his former pupil in Stuttgart, Karolyi said: "There is a possibility, but she obviously needs some travel documents."

Officials in Budapest said Comaneci fled to Hungary before dawn Tuesday with six others and spent the night at a hotel in the southern town of Szeged, 25 kilometers (15 miles) from the Romanian border.

A receptionist at the Royal Hotel in Szeged said Comaneci left by car Wednesday morning. The Hungarian daily Nepszport said the two cars carrying her party had Austrian license plates.

An official at the Romanian Gymnastics Federation in Bucharest said that the federation did not know anything about Comaneci's flight. He declined to elaborate.

## Sooners Shoot High But They Miss a 100-Point Half by 3

The Associated Press

The fast-and-furious Oklahoma Sooners almost had a 100-point half against U.S. International, but missed four times from three-point range in the final minute of the half.

That upset their coach, Billy Tubbs. "We opted to take three-pointers," he said. "All it took was get-

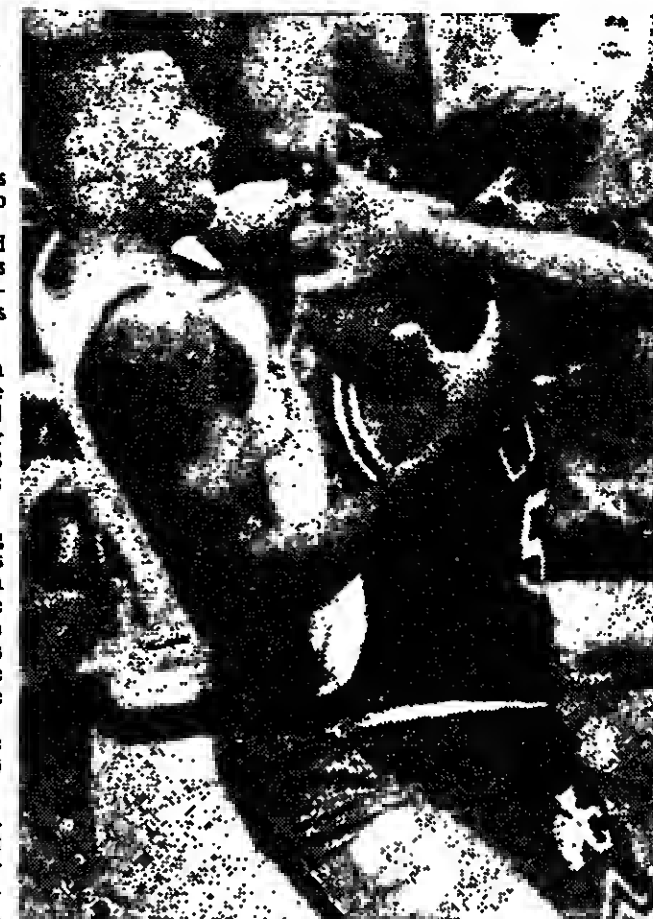
ting the ball inside two times and we're there. We didn't handle that situation well."

The 17th-ranked Sooners still set a National Collegiate Athletic Association record in their season opener Wednesday in Norman, Oklahoma, by running and gunning to a 97-43 halftime lead on the way to a 173-101 victory.

U.S. International, a college in San Diego, had been the victim of the previous record, last year, when Loyola Marymount had 94 points in the first half and won 181-150.

Oklahoma also set a record with 147 shots, surpassing the 132 by Illinois against Colgate in 1948.

No. 1 Syracuse 188, Cornell 56; in Syracuse, New York, Syracuse held Cornell to two field goals in the first 10 minutes and beat its Ivy League neighbor for the 21st



Derrick Coleman of Syracuse helping himself to Rob Hill's ball.

## Manning Is Back, But Clippers Sputter

The Associated Press

LOS ANGELES — Danny Manning surprised a lot of people with a splendid performance in his first National Basketball Association game in 11 months.

The final result for the Los Angeles Clippers, however, was not as successful.

Ricky Pierce helped diffuse a Los Angeles rally by scoring 10 of his 26 points in the last seven minutes and the Milwaukee Bucks beat the Clippers, 117-103, here Wednesday night.

Manning, returning from a knee injury, scored 21 points in 20 minutes. He made his first six shots, finished 7-of-10 and made all seven free throws.

"I felt fine and I feel that I could do anything I did before the injury," Manning said.

The former University of Kansas star, who was selected first overall in the 1988 NBA college draft after being named 1987-88 College Player of the Year and leading the Jayhawks to the National Collegiate Athletic Association title, was competing for the first time since undergoing reconstructive surgery on his right knee just 26 games into his rookie campaign.

Ironically, his return came against the Bucks. It was in Milwaukee on Jan. 4 that Manning tore a ligament in his knee.

Manning came off the bench, with 1:57 left in the first quarter and the Clippers trailing 33-20. He made three shots, including a pair of 18-foot (5.5-meter) jump shots from the baseline, and a layup with 8:54 left in the second quarter that put the Clippers ahead 31-29.

But Pierce tied the score with a 15-footer and set up Ben Coleman, the reserve forward, for a slam dunk 27 seconds later, putting the Bucks ahead to stay.

■ Road Victory for Wolves

The Minnesota Timberwolves were fresh and the Miami Heat were ripe — ripe to become the first team ever to lose at home to the Wolves.

Minnesota beat the Heat, 105-100, Wednesday for its first road victory in seven tries. The AP reported from Miami. The Timberwolves also broke a seven-game losing streak.

"We were focused; we were ready to play," said Tony Campbell, who led Minnesota with 31 points.

## SIDELINES

## Gullit to Undergo 2d Knee Operation

MILAN (Reuters) — Striker Ruud Gullit of the Netherlands and the AC Milan club, sidelined because of an injury since June, is to undergo a second knee operation Friday that may keep him out of action until well into next year.

Specialist Marc Maertens said he would not be able to indicate recovery time until after the operation. On Wednesday, Gullit was voted player of the year by the London-based monthly magazine World Soccer.

## Spanish Sailor Quits Ocean Racing

FREMANTLE, Australia (Reuters) — A young Spanish crewman who fell overboard during the second leg of the Whitbread Round-the-World race has decided to give up ocean yacht racing.

Jordi Domenech, 24, spent 16 minutes in the freezing waters of the Southern Ocean after being knocked off the yacht Fortuna by mountainous seas on the 7,650-mile (12,300-kilometer) voyage from Punta del Este in Uruguay.

Although Domenech could see the yacht the whole time he was in the water, he had not realized they could not see him for most of the time because of driving snow. Only on landing in Fremantle did he learn of the danger he had been in. "I have lost my confidence and I don't think I would be happy to be out there in the strong winds again," he said Thursday. A British crewman in the 23-yacht fleet died after being washed overboard during the second leg.

## England Cancels Soccer Rous Cup

LONDON (Reuters) — The English Football Association said Thursday that with Argentina, the world champions, unlikely to visit England in May it had decided to cancel the Rous Cup soccer competition in 1990.

"We admit that it is looking less likely that a week ago that Argentina will be able to come to Wembley," said an FA spokesman, David Bloomfield. "That being so we have been looking for another top class foreign team to play here in May, in addition to Uruguay who have confirmed that they are coming, but we will not be staging the Rous Cup. We hope to review the situation of the Rous Cup next season."

Scotland, which has taken part in all editions of the Rous Cup, officially cancelled their annual clash with England due to be played at Wembley in May. Neither Scotland nor England, who both have qualified for the World Cup finals in Italy in June, wanted any embarrassing fan incidents a few weeks before the World Cup.

## N.Y. to Hold 1991 U.S. Track Event

New York Times Service

WASHINGTON — After unsuccessful bids in the last three years for the national outdoor track and field championships, New York City has been awarded the 1991 event.

The meet, which will be held in June of that year in Downing Stadium on Randall's Island, will produce the U.S. teams that are to compete later that summer in two prominent international meets held every four years.

The meets are the world championships, in Tokyo, and the Pan American Games, in Havana.

The New York meet will also qualify athletes for the World University Games in Sheffield, England.

In a vote by the site selection committee of the Athletics Congress, New York was selected Wednesday over Tampa, Florida, the site of the 1988 championships, and Indianapolis, which held them in 1983 and 1985.

New York has not staged an outdoor championship since 1960.

■ U.S. Officials in Cuba

The first U.S. Olympic Committee delegation to officially visit Cuba says it is happy with Cuba's preparations for the Pan American Games and is confident the competition would take place as scheduled, Reuters reported from Havana.

## After Whining and Baiting, McEnroe Pulls Off a Victory

By Robin Finn

New York Times Service

NEW YORK — The Masters tennis tournament was treated to its first dose in three years of its favorite, if irrelevant, son, John McEnroe, and the great gesticulator did not disappoint.

McEnroe accused the Cyclops machine, the automated line minder that shrieks at flawed serves, of treating him inhumanely.

"I'm not paranoid, but that machine knows who I am," he snarled.

McEnroe also accused a linesman of watching the match from a different continent.

He even verbally attacked his own serve, but once he got the kinks out of his performance, he defeated Aaron Krickstein, 6-7, 6-3, 6-2, here on Wednesday night.

"I'd like to get a chance to play Becker or Edberg," McEnroe said of his ambition to qualify for one of the four semifinal berths available to the top two finishers from each of two groups of four players.

McEnroe, ranked fourth in the world, has made it no secret that he would like to move up a spot or two in 1990, a plan that calls for the displacement of Boris Becker or Stefan Edberg.

Edberg posted his second victory of the tournament Wednesday night with a brisk 6-1, 6-3 dismissal of Brad Gilbert, and with Becker clinched a semifinal berth.

In the other match, Becker produced what he called his best Masters tennis in five years in a force of a contest against Andre Agassi, who downed his way through too much of it before falling by 6-1, 6-3.

Agassi's record dropped to 0-2. Becker, the defending champion, improved to 2-0.

Becker said he was not riled by Agassi's antics, which included tossing his racket like a baton and using a linesman as a shield as he received one serve.

"By then it was already no match anymore," said Becker, whose pair of aces in that game helped him go ahead by 5-2 in the second set.

"But I'm glad he was still playing for the crowd tonight, because when he doesn't, he's going to be dangerous."

McEnroe produced his own histrionics. From the first game of the match, he was at odds with himself, his serve and all those hired to judge his shots in or out. In the fourth game of the second set, he was given a code violation for unsportsmanlike conduct.

McEnroe berated the linesmen and the umpire, heard telephones ringing, did not hear the net judge and seemed agreeable to baiting everyone in the place except his opponent.

Sensing that Krickstein did not need to be goaded into playing any

better tennis than he already was, McEnroe left him alone.

Krickstein, throughout the match, had consistency, as McEnroe acknowledged.

"I got off to a slow start, and the big difference was our serves," McEnroe said.

Until then, McEnroe, 30, was brilliant one instant, distracted the next.

He double-faulted the first game away and stomped off the court. But he caught back up to Krickstein by breaking him at love in the fourth game.

At times, McEnroe tempered his temper with joviality. Trailing Krickstein by 3-5, McEnroe, after muttering about his poor percentage on first serves, asked the umpire, Rudi Berger, "My dad's not my coach. Can I ask him what's wrong with my serve?"

The theatrics seemed to soothe him, for he finished the game with an ace and went on to break Krickstein in the 10th game.

But in the next game, McEnroe's timing on his serve disappeared.

When McEnroe went through his characteristic contortions to oo avail, Krickstein broke him at love and got a second chance to serve for the set.

In the second set, McEnroe steadied himself, and he blazed through the third, ending the match with an ace.



John McEnroe reaching low for a shot against Aaron Krickstein.

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## OBSERVER

## The Cholesterol Thing

By Russell Baker

NEW YORK — One of the many things I have never been able to get interested in is what's going on in my arteries, which may explain why my attention always wanders when the conversation turns to cholesterol.

I can't help noticing, however, that there is turmoil in the cholesterol world lately.

Somebody medical has apparently said "Cholesterol, cholesterol!" or words to that effect.

This has naturally outraged all those medical people whose aim is to make us all live until we can't stand it anymore so they can demonstrate their ethical superiority by forcing us to stay harassed to life-support systems until the centuries are used up.

I'm all for this world as long as I have liver enough to cope with an ice-cold martini and enough olfactory nerve to smell the honeysuckle on a June evening.

If you cannot do anything better than feel good about your cholesterol, you are close to the bottom of life's barrel.

Lately I encounter more and more people nearing this terminal condition, and not doddering geezers either, but people robust enough to fling themselves at life if they wanted to.

Instead of going at it with zest, what are they doing but brooding about cholesterol? Recently I fell in with two old acquaintances who, when we first met, didn't even know they had cholesterol.

They know now. Boy, do they know!

Were they interested in trading Quayle jokes?

Not a bit. They wanted to dilate on their cholesterol numbers and the difference between "bad cholesterol" and "good cholesterol."

The stuff is rated by number and quality. If your number is over 200 you are marked for early departure unless it is "good cholesterol."

Of course you may still foil the Reaper by signing up for life on hay and yogurt and exercising until your pulse rate is as negligible as the wit suffusing the usual cholesterol conversation.

Somewhere I heard that the distinction between "good" and "bad" cholesterol is fairly new and that it was all "bad" at first.

Now the latest development is this doctor's quarrel about whether cholesterol really matters much one way or the other, longevity-wise.

This conforms to a basic law governing the progress of things that are good for you and things that are bad for you.

The practically immutable rule is this: Almost everything they say is good for you will turn out to be bad for you if you hang around long enough, and almost everything they say is bad for you will turn out to be good for you.

A classic illustration is the not-so-old "good breakfast," which everybody eager for rosy health was urged to eat before cholesterol came along.

Its main elements were bacon, eggs, buttered toast, milk and coffee.

Then came cholesterol, and bacon, eggs, butter and milk were all proscribed as silent killers.

Coffee was not condemned until later, when the health police called it for transmitting the evils of caffeine.

It was now widely replaced by decaffeinated coffee with murmurs of "good for you."

Then just the other day came the inevitable news from health headquarters: Decaffeinated coffee is now scientifically declared bad for you.

People young enough to care intensely about their arteries will be amazed to learn there was a time in the memory of living humanity when cholesterol was a subject of absolutely no interest to anyone, except possibly a few scientists.

It was the interior of the stomach, not the arteries, that fascinated America in that day.

Stomach ulcer was the terror that heightened life for the dynamic male. (Females tended toward gall bladder catastrophes, but I never heard or saw the interior of the gall bladder described. Proof of the era's cruel sexism, perhaps.)

Stomach ulcer did not lose its eminence until the 1950s, when President Eisenhower's cardiac troubles moved national attention to another part of the innards.

If cholesterol had not existed, it would have had to be invented. Now some people are saying maybe it was.

New York Times Service

## The Care and Training Of Dr. Benjamin Spock

By Henry Allen

WASHINGTON — Benjamin Spock, the baby doctor, has just published a memoir of a life that was founded into shape by the iron fist of his mother and then lived under the iron thumb of one woman after another.

For instance, at 86 he has spent the last seven years in psychotherapy, along with his second wife, Mary Morgan, who is credited as co-author of "Spock on Spock." He does two sessions a week, she does seven sessions a week, they do one session together, then they do group therapy, and when they're on the road, they do it all long-distance by speakerphone.

If a meteorite hit Mary Morgan tomorrow would Spock keep it up?

"He'd need it more than ever then," she says, in an Arkansas accent that puts words into italics. She is 40 years younger than Spock. She is saved from being overwhelmed by the fact that she is only 5 feet 2.

He is saved from being overwhelmed by the beard he grew after he became a medicant. For one thing, he will say, at 86, that the best year of his life was his first, one, before his mother's carping began.

"My mother loved children, especially infants, and I identified strongly with her, especially in the case of Bob, who was born when I was 9 years of age, and I was really a resident sister. . . . I also assumed there must be pleasant ways to bring up children, so there was a rebelliousness against my mother's severity."

He went to Yale Medical School. He lived at home. Then he got engaged to Jane, and transferred to Columbia, free of Mama at last, except that Jane had her moments too. After he'd set up a pediatric practice in Manhattan, they had their son, Michael, the first of two, after a premature baby who died.

Later, he bought toy trains for Mike. He confesses in the book



Infant Spock with his mother.

mother had sex," Spock says now, "unless it was confined to bringing children into the world through marriage. All through our childhood we had been warned against touching ourselves down there or even having dirty thoughts. Dirty thoughts were bad. Wholesomeness was the opposite of this. Wholesome girls were girls with no guile, no seductiveness."

Spock knew early on that he wanted to be a pediatrician. For one thing, he will say, at 86, that the best year of his life was his first, one, before his mother's carping began.

"My mother loved children, especially infants, and I identified strongly with her, especially in the case of Bob, who was born when I was 9 years of age, and I was really a resident sister. . . . I also assumed there must be pleasant ways to bring up children, so there was a rebelliousness against my mother's severity."

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that he really bought them for himself. "From early childhood I had wanted toy trains." He never got them, even though his father was general counsel of the New Haven Railroad.

He finally got his trains when Mike was little, but he still feels apologetic about them, saying in the book: "It's normal, I think, for boys to want to control a miniature form of something that is intriguing in the real world."

Spock and Morgan laugh now, to hear this quoted.

Morgan says, "You realize when Ben and I got married 13 years ago, guess what I got him for his wedding gift? Trains! I gave him the passenger train and he gave me the freight train."

"I've got quite a layout," Spock says.

After psychoanalysis and a brief bit of service in the navy during World War II, Spock published "Baby and Child Care." It began with a line that is simultaneously famous and ignored, a line that points to a tragedy of the modern world: "Trust yourself. You know more than you think you do."

Spock himself had been raised under the stern dictates of a doctor named Henry Holt, who was part of the huge advice-giving industry that sprang up in the second half of the 19th century. Discipline and order was the key. Four hours between feedings, no matter how much the baby cries. Science had shown it to be so.

Spock reacted against that sort of notion. Few people listened, if they had, his baby book might have been one of the last ones, but still, 43 years later, when new mothers get together, it sounds like a Great Books club.

Meanwhile, Norman Vincent Peale and Spiro Agnew named Spock for the rebellious youth of the 1960s. "I had my adolescent rebelliousness in my 60s and 70s. I rebelled very little in my early days," Spock says now. He was convicted of aiding draft resistance, though the conviction was overturned.

He has five grandchildren. One



Benjamin Spock with his second wife, Mary Morgan.

In any case, his mother, living in a nursing home, did not disapprove of her son's anti-war crusade.

"Her nurse said to her one morning, 'I see that Benny's been arrested again,' and she said, 'Well, it must have been in a good cause,'" Spock says she became so "benign" in her serenity that her sisters remember her that way, and he is left to recall her moralizing and domineering by himself. And to find it in other women as well.

In 1975 he left his first wife and she attacked him in an article in The New York Times. That same year, he met Mary Morgan. She took him to a restaurant, he says. "She told me I could order anything I wanted."

They spend summers in Maine on one sailboat, winters in the Virgin Islands on another, and the rest of the time in Arkansas (where he has the toy train layout). After a lot of battles with his stepdaughter, Ginger, there's peace in the family.

He has five grandchildren. One

## PEOPLE

## A Bernstein Beethoven On Both Sides of Wall

Leonard Bernstein will conduct Christmas performances of Beethoven's Ninth Symphony on both sides of the Berlin Wall in celebration of universal brotherhood, it was announced Thursday. A spokesman for the conductor-composer, said the first concert will be held at the Kaiser Wilhelm Memorial Church, a World War II ruin in East Berlin. Dec. 23 and the second will be held Christmas Day at the Schauspielhaus theater in East Berlin.

Paul McCartney's recent suggestion that the surviving Beatles reunite doesn't appeal much to George Harrison. "As far as I'm concerned, there won't be a Beatles reunion as long as John Lennon remains dead," Harrison said. Ringo Starr, the third surviving Beatle, couldn't be reached.

Dick Clark, the boyish Pied Piper of rock, known widely as America's oldest teenager, turned 60 Thursday far from home. The squeaky-clean package of pop and his wife, Karla, are with friends somewhere in Brazil, his publicist, Paul Sharitz, said in Malibu. In March, Clark hung up his saddle shoes after 33 years as host of "American Bandstand." U.S. television's longest-lived variety program.

Jean-Paul Kauffmann has won the Reims Gourmand literary prize for a book of essays on wine, "Le Bordeaux Retrouvé," dedicated to fellow Beirut hostage Michel Serraf, who died in captivity. Kauffmann was freed in May 1988 after more than three years in captivity. While held, he promised to swear off wine for a year if released. The book is about his rediscovery of wine. The book is to be distributed only through the association of Reims Gourmand restaurants.

The jogger who was raped, beaten and left for dead in Central Park seven months ago has gone back to work as an investment banker, and a relative said she's "as sharp as the ever was." The 29-year-old woman, who has undergone physical and emotional rehabilitation, returned this week to her job at Salomon Brothers Inc. in New York, a court source said. A Salomon spokesman, Bob Baker, said that the woman returned to work this week "on a limited basis."

## INTERNATIONAL CLASSIFIED

## TODAY'S

## INTERNATIONAL REAL ESTATE MARKETPLACE

Appears on page 7

## PERSONALS

OUR FRIEND HARTMAN  
The guy with the Texas Trump.  
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